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S. HRG. 104–869, VOL. XVII

# INVESTIGATION OF WHITEWATER DEVELOPMENT CORPORATION AND RELATED MATTERS

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THE

SPECIAL COMMITTEE TO INVESTIGATE
WHITEWATER DEVELOPMENT CORPORATION
AND RELATED MATTERS

ADMINISTERED BY THE

COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE

ONE HUNDRED FOURTH CONGRESS

SECOND SESSION

**VOLUME XVII**

ON

**THE INQUIRY INTO WHETHER IMPROPER CONDUCT OCCURRED WITH RESPECT TO THE OPERATION, INVESTMENTS, AND ACTIVITIES OF WHITEWATER DEVELOPMENT CORPORATION, MADISON GUARANTY SAVINGS & LOAN, CAPITAL MANAGEMENT SERVICES, AND RELATED MATTERS**

FEBRUARY 27 AND 29; APRIL 23, 24, 25, 26, 27, AND 30;
MAY 1, 3, 4, 5, AND 6, 1996

Printed for the use of the Committee on Banking, Housing, and Urban Affairs

MAR 27 1998

S. HRG. 104–869, VOL. XVII

# INVESTIGATION OF WHITEWATER DEVELOPMENT CORPORATION AND RELATED MATTERS

# DEPOSITIONS

BEFORE THE

## SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER DEVELOPMENT CORPORATION AND RELATED MATTERS

ADMINISTERED BY THE

## COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

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# DEPOSITION OF
# ONIE ELIZABETH (BETSEY) WRIGHT
# IN RE: S. RES. 120

## VOLUME II

**TUESDAY, FEBRUARY 27, 1996**

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER
DEVELOPMENT CORPORATION AND RELATED MATTERS,
*Washington, DC.*

Deposition of ONIE ELIZABETH (BETSEY) WRIGHT, called for further examination pursuant to agreement by counsel, at 1:10 p.m. in Room 640–A of the Hart Senate Office Building, before DAVID L. HOFFMAN, Court Reporter, when were present:

ROBERT J. GIUFFRA, JR., ESQ.
Majority Chief Counsel
MARK J. BRENNER, ESQ.
Majority Assistant Special Counsel
LANCE COLE, ESQ.
Minority Deputy Special Counsel
RICHARD BEN-VENISTE, ESQ.
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On behalf of the Committee.

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On behalf of the Deponent.

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PROCEEDINGS

(1:10 p.m.)

Whereupon,

BETSEY WRIGHT

was recalled as a witness herein, and having been previously duly sworn, was examined and testified further, as follows:

EXAMINATION (Continued)

BY MR. GIUFFRA:

Q Good afternoon, Ms. Wright.

As you know, my name is Robert Giuffra, Chief Counsel to the Senate Banking Committee.

To my right is Lance Cole, Deputy Minority Special Counsel.

Also with us is Mark Brenner, Assistant Special Counsel.

This is the second day of your deposition, which is conducted pursuant to Senate Resolution 120, and you understand that you're still under oath?

A I do.

Q You're represented by Mr. Cohen and Mr. Rizzi, who are free to reenter their appearance for



the record if they feel it's necessary to do so.

MR. COHEN: I don't think so.

MR. GIUFFRA: Mr. Cohen, you stated you had a statement you wanted to make for the record?

MR. COHEN: I have three matters I want to take up with Committee Staff. They represent three instances in which I believe the Committee's Rules have not been adhered to.

My client's privacy and the confidentiality of these proceedings, which was assured by the Resolution, has been violated.

The first is that Ms. Wright received, on February 15th, from an Associated Press reporter, whose name is Pete Yost, a letter, and there were subsequent telephone conversations as a follow up to that letter, the letter, a copy of which we will put into the record by subsequent transmittal to you, reveals that Yost had access to material that I believe was provided to this Committee pursuant to subpoena and under the same assurances of confidentiality found in the Resolution.

The letter specifically refers to and

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attempts to interpret handwriting on a document from Ms. Wright and Governor Clinton.

He then told us, in a subsequent telephone conversations, that he hadn't been given the documents, but was only permitted to review them, and he copied down the substance of them.

That is against the backdrop of a Newsweek article in which Mr. Bossie is reported by the Reporter to have said that if he wrote the article about Mr. Bossie, Mr. Bossie wouldn't give him any more information.

THE WITNESS: Tips and leads, I think.

MR. COHEN: Right.

I don't believe that there's any excuse for the material we give to this Committee in confidence being put into the hands of reporters. And whatever else is clear, this material was given to you and was given to you in confidence and didn't go to the press from us.

That's number one.

MR. GIUFFRA: Can I ask a question?

Did the White House have copies of those

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documents?

MR. COHEN: I don't know.

MR. GIUFFRA: Did Mr. Kendall have copies of those documents?

MR. COHEN: Mr. Kendall I believe definitely had copies of these.

MR. GIUFFRA: So we don't know whether Mr. Kendall might have provided them to Mr. Yost?

MR. COHEN: I'd be delighted to ask Mr. Kendall that question for you, and put the answer on the record.

MR. GIUFFRA: There have been instances in which the White House and Mr. Kendall have provided documents that have been provided to the Committee, to the press.

MR. COLE: I think they publicly released documents which were their own documents which they have a perfect right to do.

MR. COHEN: I think it's fairly clear that the spin that Yost had on this particular document was precisely the spin that one would expect to come from Mr. Bossie.

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The second issue, under Section 6 of the Senate Resolution governing these proceedings, my client was assured the confidentiality of her deposition testimony. And unless the Chairman and the Ranking Member or the Chairman with the concurrence of the Ranking Member under Section 6A, authorized the release of testimony, that testimony remains confidential.

That's not what happened here, gentlemen.

What happened is, after Ms. Wright testified, a day or two later, her testimony was characterized or quoted, I can't remember which, by Senator Faircloth in questioning Webb Hubbell, and in that questioning the Senator said Ms. Wright testified as follows, about a particular conversation. What's your view or recollection of the conversation.

I think that's a blatant breach of the confidentiality assurances that are found in the Resolution of the Section itself. And I note that that was an issue that Mr. Bossie was particularly interested in in the deposition, that is, the issue

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the Senator followed up on with Webb Hubbell.

MR. GIUFFRA: Just on that one, there have been instances in which members have quoted from depositions that have been taken prior to the time at which the deponent publicly testified.

MR. COHEN: While that may be true, that's certainly not the procedure set out in Section 6 of the Resolution, which of course provides that we get an opportunity, the witness and her counsel get an opportunity to review the material before that deposition is released for reasons, among others, to assure the accuracy of the testimony.

MR. GIUFFRA: Was there any problem with the accuracy of that particular transcript?

MR. COHEN: I haven't seen the transcript. When I've seen the transcript, then I'll have an opportunity to review it.

MR. GIUFFRA: The part that Senator Faircloth used during the hearing?

MR. COHEN: I can't say that there's much of Senator Faircloth's questioning that I have found particularly accurate, so I wouldn't want to

characterize this particular question.
MR. GIUFFRA: Just the quote that he used from the deposition, that's what I'm focusing on now.
MR. COHEN: I'll be delighted to go back and check his ability to accurately quote from a transcript.
And finally, I object to what I thought was a relatively blatant mischaracterization by Mr. Chertoff, with whom I'll take this up as well, of Ms. Wright's trip to Little Rock.
Mr. Chertoff, in his questioning of Mr. Hubbell, said that Ms. Wright went to Little Rock to look for Whitewater documents.
THE WITNESS: Was that Hubbell? I think it was Gearan and Ickes.
MR. COHEN: Ms. Wright is undoubtedly right, that it was Gearan and/or Ickes. I think it was Gearan actually and of course that's not her testimony. She went there looking for campaign finance records, came across a box of records that related to Whitewater, and handled them accordingly.
The suggestion that she was going down to



look for Whitewater records was -- not a suggestion, a statement that she was going down to look for Whitewater documents done in the characteristic leading form that it was, was just wrong.
Mr. Chertoff should have been more accurate in his use of that information.
That's all I have to put on the record. I suspect you have some questions you want to ask?
MR. GIUFFRA: That's correct.
BY MR. GIUFFRA:
Q Ms. Wright, just turning back to January 1994, when you went to Little Rock to pick up records to respond to press inquiries, it was your prior testimony that no one asked you to go to Little Rock and look at these records, correct?
A Correct.
Q You testified at your last deposition that you discussed going to Little Rock to pick up these records with Bruce Lindsey.
A I didn't discuss it with anybody. I did tell some people I was going to go do it.
Q Among the people you told you were going

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to go to pick up, look for records, was Bruce Lindsey?
A I'm pretty sure I did.
Q Did you have any kind of a discussion with Mr. Lindsey?
A No.
Q Did he indicate to you what sorts of documents you should be looking for?
A No. I told people I was going to get the campaign finance records.
Q But my question is did Mr. Lindsey indicate to you the types of documents you might want to look for when you went to Little Rock to look for the records?
A No.
Q Did he not give you any suggestions as to the types of documents that might be needed for what he was doing?
A No, I had no idea what he was doing.
Q Who else, besides Mr. Lindsey, did you discuss going to Little Rock to look at documents?
A I didn't discuss it with anybody. I did

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tell some people I was going to go get them.
Q Who did you tell?
MR. COHEN: Mr. Giuffra, I am positive that this subject and these questions were gone over before and though I obviously haven't had the transcript, or access to it, I'm going to, as I told you when we rescheduled at this date, I'm going to insist that we move on to new areas, and ask questions that we haven't covered before.
BY MR. GIUFFRA:
Q At your last deposition, you mentioned that you told Bruce, John Podesta, and David Kendall.
MR. COHEN: That confirms my recollection.
MR. GIUFFRA: Just let me finish.
BY MR. GIUFFRA:
Q And you testified that you could not remember discussing this with anybody else.
Do you recall that?
MR. COHEN: If that's what the record says.
THE WITNESS: I don't remember discussing it with anybody.

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BY MR. GIUFFRA:
Q Do you remember telling anyone else?
A I don't, but I wasn't trying to keep it a secret, either.
Q Did you tell Harold Ickes you were going to Little Rock?
A No. Was Harold there then? When did Harold come?
Q Sometime in January. He was there in January '94.
Were you aware of any Whitewater defense meetings that were held in the White House in January 1994?
MR. COHEN: You also asked that, and she's been over it and said who she attended the few times she attended meetings.
MR. GIUFFRA: The reason I'm asking these questions, okay, Mr. Cohen, is that since Ms. Wright's deposition, various notes have come out. They have been released by the White House. The White House has been dilatory in producing documents to the Committee.

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It's certainly fair game for me to as Ms. Wright about meetings of which there are notes that we just got, after her deposition.
If you would let me do that, it will take a very few minutes. And I would be remiss in my duties and obligations to the Committee if I did not ask her about these meetings and particularly, one in particular, which I'm sure you're aware of, that references Ms. Wright, that was discussed publicly at the hearing.
MR. COHEN: Why don't you ask her about a note that specifically discusses her?
Because you have previously asked her of her meetings. She's told you what she knows of her meetings.
If you've got a note that you'd like to ask her about, that talks about one of those meetings, on this limited issue, for the reason you just articulated, I certainly withdraw my objection there. But each one of us in this room could ask, cover the same areas asking different questions about them, and that's not our purpose in being here today.

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MR. GIUFFRA: I know it's not.
But my question the last time was what meetings she attended.
The question I'm asking her now is was she aware of the fact that they were holding Whitewater defense team meetings in January 1994?
THE WITNESS: I was not aware of a formal Whitewater defense team, per se. I knew that they had to be having meetings about what to do.
BY MR. GIUFFRA:
Q Did you have any conversations with anyone at the White House in January 1994 about whether special counsel should be appointed to investigate Whitewater?
(Pause.)
A You know I might have. I remember conversations about releasing documents publicly, discussions about the pros and the cons of that.
Q And those conversations would have been with who?
A Maybe Gergen, maybe Bruce, maybe Mac. I don't remember for sure. I mean, they weren't

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seeking my input in a formal way. I think it would have been just passing conversation.
The reason I don't know whether I discussed special counsel is because at that time I'm not certain I completely and totally understood the difference between a special counsel and whatever the Justice Department was doing.
Q Did you discuss anything having to do with the appointment of a special counsel or independent counsel with the President or First Lady?
A I didn't discuss it.
I was told by the First Lady that there was going to be an independent counsel.
Q Do you recall anything more about the conversation you had with the First Lady in which she indicated there would be an independent counsel, that's what your testimony is, or a special counsel?
A I don't know the difference.
Q Some sort of special kind of counsel, do you recall anything more about that conversation?
A Yes.
I was talking to her primarily because it

had been my intent, on locating the gubernatorial campaign finance records, to take them to Mr. Kendall's office, which is why I had told Mr. Kendall that I was going to go get them.

And Mr. Kendall told me at, it was either at Virginia's funeral or the night before, Virginia Kelly, that he wouldn't take them.

I didn't understand that, and so I was having a conversation with Hillary the day after the funeral by phone, primarily about Virginia and the funeral, but I said something that I was troubled that Kendall had said he wasn't going to take these.

And she said, Betsey, there is going to be an independent or special counsel. You need to get a lawyer. And that's how you will handle these documents.

Q Did she say anything more about why you would need to get a lawyer?

A Because I essentially had custody of the documents.

Q Did she say anything more to you during the course of this conversation bearing on either



Whitewater or Madison?

A No.

Q And that's the only conversation you've had with the First Lady in which there was discussion of a special counsel or independent counsel?

A Correct.

Q You never had any conversation with the President about the special counsel or independent counsel?

A Not that I remember having.

Q Did you ever have any discussions with Mr. Hubbell about the appointment of an independent or special counsel?

A No.

Q Just so the record is clear, the conversation was the day after Virginia Kelly's funeral?

A As I recall, yes.

Q Which would have been in January 1994.

Do you recall any other conversation you might have had with anyone affiliated with the White House about the appointment of a special or

independent counsel?
A No.
Q You did not speak to Mr. Ickes about the appointment of a special or independent counsel?
A No. I was never in a serious conversation with anybody anywhere about it.
Q During 1993, did you have any conversations about Whitewater with Mr. Nussbaum?
A No.
Q By Whitewater, I include also in that, Madison, as well.
A I don't think I ever had any conversations with?
Q With Bernie. Okay.
Now, while you were in Little Rock in January 1994, did you see or speak to Skip Rutherford?
A No.
Q Beverly Bassett Schaffer?
A No.
Q Archie Schaffer?
A No.



I mean I may have seen them at the funeral, I mean, you know, and done a hello, but in terms of talking about anything, no.
Q Now prior to --
Strike that.
Did you have any discussion at any time with anyone, other than your counsel, about the possibility that you might be indicted for something having to do with Whitewater or Madison?
A No.
Do you want to know why I think Bernie threw my name out?
MR. COHEN: No, we don't need you to speculate as to what Mr. Nussbaum's thought processes were.
BY MR. GIUFFRA:
Q There's a note from a meeting that was held January 7th in Mr. McLarty's office. These are notes from Mr. Ickes. The Bates number is S20578.
(Handing document to witness.)
BY MR. GIUFFRA:
Q Mr. Nussbaum apparently says, indictments

will be Betsey Wright.
MR. COHEN: This is all there is on this?
MR. GIUFFRA: Yes.
MR. COHEN: These are whose notes?
MR. GIUFFRA: I believe it's Ickes'.
THE WITNESS: It's Gearan's. You've just got to watch these spin boys.
MR. GIUFFRA: I'm sorry, I apologize. We have Ickes' notes and Gearan's notes. Yes, these are Gearan's notes.
BY MR. GIUFFRA:
Q You never had any conversation with Mr. Nussbaum in which any kind of discussion of you being indicted came up?
A No.
Q Do you have any understanding or belief as to why Mr. Nussbaum would have said, at this meeting of January 7th, at least according to Mr. Gearan's notes, indictments will be Betsey Wright?
A I have a theory, but my lawyer has to listen to it.
Q It doesn't matter. Unless you had a



conversation with Mr. Nussbaum about it, or anyone else. I'm not going to have my client speculate.
BY MR. GIUFFRA:
Q Do you have some reason to believe why he would have mentioned your name in this context?
MR. COHEN: Mr. Nussbaum's lawyer will tell you and Mr. Nussbaum will tell you that he was telling the President that a bad special counsel would go around trying to indict people just to make trouble.
Now I'm not going to have Ms. Wright speculate as to Mr. Nussbaum's thought processes. This is well beyond.
BY MR. GIUFFRA:
Q Has anyone said anything to you indicating why Mr. Nussbaum might have mentioned your name in this context at this January 7th meeting? That's as of today?
(Pause.)
A No. I just remember the press environment of the time.
Q Do you think it was something in the press

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environment of the time that would have caused Mr. Nussbaum to make this statement about you?
A Sure.
Q What is it in the press environment on January 7th --
MR. COHEN: This is exactly --
MR. GIUFFRA: Can I ask her a factual question.
BY MR. GIUFFRA:
Q Was there any discussion in press reports in the period around January 7, 1994, which had to do with the discussion of you being indicted?
A Not at all.
Q Were reporters speculating amongst themselves, as far as you know, that you might be indicted at some time?
A Not at all.
Q So you have no understanding as to why Mr. Nussbaum mentioned your name in this context?
MR. COHEN: You've asked it, she's answered it.
Your next line of inquiry should be of Mr.

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Nussbaum, Bob. This is beyond --
MR. GIUFFRA: Let's go off the record.
(Discussion off the record.)
BY MR. GIUFFRA:
Q . Ms. Wright, are you aware of a Whitewater defense team meeting that was held on January 16, 1994?
A I don't know.
MR. COHEN: She's already said she wasn't aware that there was such a group, so there's no foundation for that question.
MR. GIUFFRA: I don't think that's exactly what her testimony is.
THE WITNESS: Is there a reason why I might be aware of that meeting?
BY MR. GIUFFRA:
Q Notes we have of Mr. Ickes' of this meeting mentioned yourself, along with Anne Wexler. Would you know why you might have been mentioned at this meeting, or Ms. Wexler would have been mentioned?
A How were we mentioned?

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Q Let me show you a document that bears Bates Number S20793.

(Handing document to witness.)

BY MR. GIUFFRA:

Q I direct your attention to notation number five.

(Pause.)

A Do you know what this says?

Q I don't know. I think it's just Betsey Wright, and it looks like Paul G. Then there's an arrow, Anne Wexler.

MR. COLE: Mr. Ickes' handwriting is not a model of clarity.

BY MR. GIUFFRA:

Q The notation below it looks like House Banking Committee. The notation above it, HRC - it says lawyer on this.

You don't know why you would have been mentioned at one of these meetings?

A Do you know what the topic of any of these points is?

(Pause.)

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Q It appears to be within the context of a discussion about the Rose Law Firm.

A What do you think number three says?

MR. COHEN: His question is pretty simple. Do you know what number five is referring to. If not, we can move on.

If you do know, tell him.

BY MR. GIUFFRA:

Q Number three could be legal counsel of BC and HRC.

A It looks to me like it says legal costs.

And, no, I don't know what that means.

Q Let me show you a document that bears Bates number S8512 through 8529.

(Handing document to witness.)

BY MR. GIUFFRA:

Q Have you ever seen this document before?

(Pause.)

A I don't think I have.

Q Do you know a man named Herbie Branscomb?

A Yes.

Q Who is Herbie Branscomb?

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A How does one answer a question like that?
He was the chairman of the State's Democratic Party of Arkansas when I moved there and during the '82 campaign.
MR. COLE: It might be helpful, Ms. Wright, I don't know if this is the exact point you were raising, but just to help you with responding to Mr. Giuffra's questions, there's a provision in the Resolution that authorizes this Committee to inquire into "the lending activities of Perry County Bank, Perryville, Arkansas, in connection with the 1990 Arkansas gubernatorial election," which may be a relevant context to put Mr. Giuffra's questions in.
THE WITNESS: I know absolutely nothing about the lending activities of Perry Bank with the '90 campaign.
BY MR. GIUFFRA:
Q So I'm just asking, you say he was Chairman of the State Democratic Party in Arkansas when you arrived in Arkansas in 1982.
Do you know anything more about Mr. Branscomb?

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A He was a lawyer, a banker, and I saw him frequently at party activities. I called him from time to time for advice and assistance.
Q Was he, did he ever visit, as far as you know, the Governor's office?
A I'm sure he did.
Q Was he someone who would have visited the Governor's mansion?
A I'm sure he did.
As I told you last time, we tried to invite all of our key workers and contributors and supporters to various social events at the mansion.
Q So he would have been a key worker or contributor during the 1980s?
A I think he was always our county campaign coordinator in Perry County, yes. I mean, he was a notable Democrat over there. He was on the State Claims Commission during the time that we were there and they met in our building. Their offices were in the state capital building.
And I remember we had quite a furor about them with the legislature in one session, so I know

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Herbie was in and out of the office during that. There were lots of matters.

Q What was the furor that they had with the legislature that you recall Mr. Branscomb being involved in?

A What could the relevance of that question be?

THE WITNESS: About the existence of the Claims Commission, whether to continue to it.

BY MR. GIUFFRA:

Q Do you know anything about the appointment of Mr. Branscomb to the Arkansas State Highway Commission?

A No. I just know that it happened. That was after I left the Governor's Office. I was there when he was appointed to the UCA Board.

MR. COLE: UCA being the University of Central Arkansas for the non-Arkansans in the room.

MR. GIUFFRA: Thank you for that.

MR. COLE: Whatever I can do to help.

BY MR. GIUFFRA:

Q Do you know a man named Robert Hill?

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A I've heard of him.

Q Do you know who he is?

A Do I read newspapers, is that what you're asking me?

Q During the 1980s, did you have dealings with Robert Hill while you were Chief of Staff to the Governor?

A He was generally a contributor and supporter campaign worker.

Q In Perry County?

A Yes.

Q What position did Mr. Hill hold during the 1980s as far as you know?

A I don't remember.

Q Do you know anything about the appointment of Mr. Hill to the Arkansas State Banking Commission?

A I know that it happened. I just don't recall --

Q Were you Chief of Staff during the time when he was appointed?

A I don't know. I think so but I'm not positive. Do you know the date when he was

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appointed?
Q I don't have the date right here, but you don't recall having any involvement in the appointment of Mr. Hill to the Arkansas State Banking Commission?
A No, I don't have a specific recollection.
Q General recollection?
A No.
Q Were you normally involved in the appointment of officials to the State Banking Commission?
A I oversaw all the appointments which meant thousands.
Q Are you aware of any meetings between Mr. Branscomb and Governor Clinton?
MR. COLE: What time period?
MR. GIUFFRA: During the 1980s.
MR. COHEN: Other than the ones that she has just testified about, which included visiting the Governor's office, the Governor's mansion, the State Claims process. You mean something other than she's already testified to?

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BY MR. GIUFFRA:
Q Yes, anything other than what you've already testified to, any specific meetings?
A I don't remember specific meetings.
Q Any of the general subjects that Mr. Branscomb would have met with Governor Clinton about that you haven't already testified to?
A Mr. Branscomb was a reliable advisor and friend. I wouldn't be at all surprised. I'm certain that they had conversations from time to time, yes. Mr. Branscomb was involved with a number of major political leaders in the State, not just us, and worked in our building, you know, the capital building.
Q Do you recall any meetings between Governor Clinton and Mr. Hill?
A I don't.
Q Do you recall any meetings with Mr. Branscomb regarding a campaign fundraiser?
MR. COLE: I would ask you, Ms. Wright, to only make your response to that to what is included in Senate Resolution 120, which is the 1990 campaign.

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MR. GIUFFRA: Let's put this on the record.

One. Messrs. Branscomb and Hill have recently been indicted by the independent counsel.

MR. COLE: I would note that that fact does not expand the jurisdiction of this Committee, Mr. Giuffra.

MR. GIUFFRA: Let me finish.

Number two. General background questions going to the activities of Mr. Branscomb and Mr. Hill during the 1980s clearly falls within a matter having any tendency to reveal the full facts about the lending activities of the Perry County Bank in connection with the 1990 Arkansas gubernatorial campaign.

MR. COLE: We've just had a long series of general background questions to which I've not objected, but now you've asked something that's not a general background question, it's a very specific question that is on subject matter that is, to my reading, not covered by this Resolution.

MR. GIUFFRA: I guess we just have a

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different reading of the Resolution.

MR. COHEN: She's told you, Mr. Giuffra, that she doesn't know anything about the lending activities of the Perry County Bank in 1990. I think she's told you everything. She has no specific recollection of the substance of any conversations between the Governor and Mr. Branscomb.

MR. GIUFFRA: Why don't I ask the question.

If you want to instruct her not to answer the question, we'll follow the procedure.

BY MR. GIUFFRA:

Q Do you recall attending any meetings with Mr. Branscomb at which fundraising activities relating to the Governor's campaigns were discussed?

MR. COLE: Actually, Ms. Wright, I'm going to ask you not to answer that question except with respect to the 1990 gubernatorial campaign. That's the only subject matter that's encompassed by this Resolution. And there's just no basis for expanding this inquiry beyond what's in the Resolution.

If Mr. Cohen disagrees, then I would not.

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MR. COHEN: I agree.
Why don't you ask it.
THE WITNESS: I know nothing about any meetings between the two of them on our conversations.
BY MR. GIUFFRA:
Q Now did you attend any meetings, you yourself, Betsey Wright?
A I didn't attend any meetings on the 1990 campaign fundraisers.
Q I'm asking about any other campaign?
MR. COHEN: She's only answering it --
MR. GIUFFRA: I just want to make sure the record's clear.
MR. COHEN: Yes, I'm sorry. Just let me help you on that. I'm going to instruct her, consistent with what Mr. Cole said, and my own understanding of this, which I don't need to argue with you about, to answer with respect to 1990.
MR. GIUFFRA: Let's go off the record for a second.
(Discussion off the record.)

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MR. GIUFFRA: Make that first phone call first.
MR. COLE: Off the record for a moment.
(Discussion off the record.)
MR. GIUFFRA: Back on the record.
BY MR. GIUFFRA:
Q Ms. Wright, have you read the recent indictment by the Office of the Independent Counsel of Messrs. Branscomb and Hill?
A Yes.
Q Have you discussed that indictment with anyone other than your counsel?
MR. COHEN: Does this one fit within the Resolution?
MR. COLE: I mean, if she has knowledge of the events concerning the 1990 campaign that are reflected in that indictment, then of course that's a relevant line of inquiry. But her reaction to an event that occurred in 1996, that is, an indictment and discussions that she may or may not have had with friends, mutual acquaintances and colleagues or whatever, I don't see.

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MR. GIUFFRA: We don't know what conversations, if any, she's had.
MR. COHEN: And then the question is, are you entitled to know.
MR. GIUFFRA: I think I am. You may not agree.
MR. COLE: For starters, the question could be answered with a yes or a no, I think.
BY MR. GIUFFRA:
Q The question is, have you had any conversations with anyone, other than your counsel, about the indictment of Messrs. Branscomb and Hill?
A I have had conversations with people in which the indictments were acknowledged, but no further discussion about them.
Q Do you know anything about the substance of the allegations against Messrs. Branscomb and Hill?
A Just newspaper reading, that's all.
Q Have you ever discussed with anyone other than your counsel, the December 1990 meeting between Mr. Hill and then Governor Clinton?

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A Not even since I saw it discussed on C-SPAN, which is the only way I know about it, and newspaper reports.
Q Let me show you, this is a typed up version of Mr. Ickes' notes that we received from Mr. Ickes' counsel. Maybe that will assist you in trying to figure out why you were referred to.
(Handing document to witness.)
BY MR. GIUFFRA:
Q It actually says five. Betsey Wright, Pat G.
MR. COHEN: When the Committee had Mr. Ickes, he would have been the best person to ask why he wrote her name down.
Did anyone undertake to ask that question?
MR. COLE: I wasn't at that hearing, but he was there for about eight hours, so I'll defer to Mr. Giuffra, although I guess you weren't there for the eight hours?
(Pause.)
THE WITNESS: It means nothing to me.
BY MR. GIUFFRA:

Q Do you know who Pat G. would be? Do you know a Pat G.?
A No.
(Pause.)
BY MR. GIUFFRA:
Q During the time you were Chief of Staff for Governor Clinton, did you have any knowledge of an entity called Castle Sewer & Water?
A Cursory knowledge.
Q What do you know about Castle Sewer and Water?
MR. COHEN: Could you ask that question, only with a hair more precision?
BY MR. GIUFFRA:
Q What if any actions did you take --
Strike that.
What contact, if any, did you have with an entity called Castle -- or let me strike that.
What contact, if any, did you have during the 1980s relating to an entity called Castle Sewer & Water?
A I'm aware that Castle Grande Sewer & Water



or Castle Sewer & Water was part of the development of Jim McDougal.
Q What was the basis for your knowledge?
A I don't know specifically. There were interactions on some of those developments. There were TV ads on some of those developments. And so I may have been aware of it because of some specific action that the Governor's office had brought to its attention.
I don't remember specifically.
Q Do you recall any specific actions that the Governor's office took bearing in any way on the activities of Castle Sewer & Water?
A Well, is that the one, was the legislation you discussed with Sam Bratton on Castle Sewer & Water?
Q When you worked for the Governor, were you responsible for handling legislative work?
A Just some of it, I mean --
Q General supervisory authority over the legislation, right?
A Yes.

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Q With regard to vetoing of legislation, what was your role?
A I was always present for the signing and vetoing of bills and listening to the recommendations of the bill clerk and the counsel.
Q Would you have discussed whether to veto a bill with the Governor during the normal course?
A If it were one where there was a serious dilemma, we would have had a conversation, yes. I would have been a part of the group discussion.
Q Were regular meetings held in the Governor's office in which decisions were made as to whether the Governor should veto a bill?
A When the bills were brought to him by the bill clerk and by the counsel.
Q Is this the chief counsel to the Governor?
A Yes. General counsel, we called it. Then they would go through pros and cons of the vetoing.
Q This would be a meeting that would be attended by the Governor, yourself, the general counsel and the bill clerk?
A And usually we brought in the press

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person.
MR. COLE: Are we speaking hypothetically here or is this specific to the Castle Sewer & Water legislation that Ms. Wright referenced?
MR. GIUFFRA: I was just asking her generally what was the normal practice.
THE WITNESS: That was the normal practice, because as soon as we had a session, the press secretary is responsible for putting out a list to the press of what had been signed, and if there had been any vetoes, what they had been, and releasing the veto message.
(Pause.)
BY MR. GIUFFRA:
Q Do you have any knowledge of a House bill called 1780, which was a bill relating to deregulate ratemaking for small utilities in Arkansas?
MR. COLE: I think also, Ms. Wright, it might be helpful if you see testimony about these events at the Committee's public hearings recently. We are obviously interested in what you know from the time the events occurred, not what you've learned

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during public testimony.
Or do you disagree, Mr. Giuffra? Do you want her to testify about what she saw on television?
MR. GIUFFRA: She can obviously delineate what she saw on television, but if things on television refresh her recollection, I think, of course.
THE WITNESS: Yes. I mean, the Bratton testimony refreshed my recollection a great deal about that particular piece of legislation.
BY MR. GIUFFRA:
Q What, if anything, do you recall about that House bill 1780?
A Well, now I remember a lot about it because of Mr. Bratton's testimony.
Q Why don't you tell us what you recall about that bill?
A I recall what I learned from Mr. Bratton's testimony, that we vetoed because it was local legislation and unconstitutional. That people who had worked on the legislation, Mr. Randolph, Mr. Tucker, who we didn't even know were associated with

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it. I mean, we knew virtually nothing about it except that it was unconstitutional.
Then complained about the veto, and we were unapologetic about the veto because it was very proper. They were given guidance on what was improper about it, if they wanted to introduce new legislation.
Q Do you recall any discussions you had with Governor Clinton about the veto of House bill 1780?
A Not specifically, no.
Q Generally?
A No.
Q Do you recall anything about conversations you might have had with Mr. Bratton about the veto of House bill 1780?
A I believe that most of what we did on this was handled by exchange of written notes and memos. I think there really weren't meetings or a lot of conversations in the office about them. It was not a matter of paramount importance to us.
Q Was it a matter of any importance?
A We tried to deal with any citizen's

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problem as a matter of importance.
Q Do you recall who the persons were advocating the signing of this bill?
MR. COHEN: Other than Tucker and Randolph whom she's just identified.
THE WITNESS: Nobody advocated at the time we vetoed it. I don't think we heard from anybody. It was subsequent to the veto. I don't think we even knew what it was about, except that it was obviously local legislation. We never identified it as having any connection with McDougal or anything else.
It didn't matter. It was unconstitutional legislation.
Q Do you recall why it was unconstitutional?
A Because it was local and specific.
Q Do you recall that from Mr. Bratton's testimony, or do you recall that independently as you sit here today?
A Pieces of both.
Q Do you recall anything more about the vetoing of HR 1780, other than what you've testified here today?

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A No.
Q Now after the bill was vetoed, do you recall what happened next?
A From the testimony, I now know that apparently this memo in front of me came from Nancy Hernreich about a visit to the office by R.D. Randolph and Sam's subsequent conversations with Jim Guy Tucker and subsequently getting legislation that was proper.
Q Did you have any conversations with Jim Guy Tucker during 1987 about Castle Sewer & Water?
A I did not.
Q Any conversations with Jim Guy Tucker during 1987 about Jim Guy Tucker or the Governor's relationship with Jim McDougal?
MR. COLE: I'm sorry, I didn't hear that question.
MR. GIUFFRA: I'll rephrase it.
BY MR. GIUFFRA:
Q Did you have any discussions with the Governor during 1987 --
Strike that.

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Did you have any discussions with Jim Guy Tucker during 1987 in which Jim McDougal was mentioned?
A I don't believe so.
Q Any discussions in which Madison was mentioned?
A I don't believe so.
Q A 1985 fundraiser held at Madison, was that mentioned during any conversation you had with Jim McDougal?
MR. COHEN: Didn't you mean Tucker?
MR. GIUFFRA: Tucker, I'm sorry, I apologize.
THE WITNESS: I don't think so. I don't remember talking to Mr. Tucker at all. The only time I think I might have talked to him in '87 was that I was on Jury duty in a voir dire that he participated in, so I answered his questions. I believe that was the only conversation we had in '87.
BY MR. GIUFFRA:
Q What do you recall, if anything, about Act 37, which was signed into law in 1987 by the Governor

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relating to deregulation of ratemaking for small utilities?
MR. COHEN: Is the first vetoed piece of legislation, because we don't know it by numbers.
BY MR. GIUFFRA:
Q What do you recall about the piece of legislation that was actually signed?
A That they got it fixed. They took away the objection about the unconstitutional part of it and got it passed through the legislature, and we signed it.
Q Do you recall anything more about the circumstances under which this bill was signed?
A No, I don't. Sam handled that.
Q Do you recall any meetings attended by the Governor at which legislation relating to ratemaking by small utilities was discussed?
A I don't.
Q You don't recall any conversations you would have had with Mr. Bratton about the bill that was actually enacted into law?
A I don't.

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Q No recollection of conversations with the Governor?
A I don't have any.
Q No recollection of conversations with persons outside the Governor's office?
A No.
Q No recollection of conversations with legislators?
(Pause.)
A I had several conversations with Representative Bill Walker about pieces of legislation. That may be one of them. I know he became involved in it, and that's why I'm not positive whether that's one I discussed with him or not.
Q Why do you know that Mr. Walker became involved in it?
A Through review of documents for the preparation of this deposition.
Q Do you recall any conversations you might have had with Mr. Walker?
A No.

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Q Do you recall any conversations you might have had with Mr. Randolph about this legislation before or after the veto?
A No.
Q Any conversations with Mrs. Clinton either before or after the veto?
A No.
Q What was Nancy Fulbright's responsibility in April 1987?
A She was the scheduling secretary.
Q Would she have taken messages for the Governor?
A If people called to ask for appointments or meetings, she got as much information as possible.
Q Was R.D. Randolph someone who had a close relationship to the Governor in 1987?
A I mean he was someone who worked for Jim McDougal and he'd been around for a long time. I wouldn't call it close. He was just someone who was there.
Q So your understanding of Mr. Randolph's role was that he worked for Jim McDougal?

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A I think so.
Q Do you know what he did for Mr. McDougal?
A I don't.
Q Mr. Randolph, was he a political supporter of the Governor's?
A Yes. And he had been at that Madison fundraiser.
Q Do you recall any activities in which Mr. Randolph was involved relating to the gubernatorial campaigns of Governor Clinton?
A No, I don't think he was an activist.
Q Do you recall any communications you might have had with Mr. Randolph during the 1980s?
I apologize for the broad nature of the question.
A I know, I don't remember specifically, I may have talked to him two or three times over the years in campaigns, in the Governor's office, but I can't recall the substance of any of those contacts.
Q Do you know if Mr. Randolph was someone who met with the Governor during the 1980s?
A I don't. But I guess, you know, I didn't

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go out on the campaign trail with the Governor because I stayed in headquarters managing the campaigns and he met with thousands of people that I never saw. And he always stayed until the last person left.
Q Do you recall any instance in which Mr. Randolph came to visit the Governor's office in the state capital?
A I think I had a meeting with him maybe once, either a phone conversation or a meeting in my office, about his need for employment after he left in the late eighties, after whatever that was fell apart.
Q Madison?
A I don't know whether he worked for Madison or what he worked for.
MR. COLE: Could I ask one question about Mr. Randolph, just for the record?
MR. GIUFFRA: Sure.
MR. COLE: Do you know whether Mr. Randolph had worked for Senator Fulbright?
THE WITNESS: I don't. I don't know much

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about him at all.
But again, I will tell you that I'm aware of that memo from Nancy Hernreich from watching the Bratton-Hernreich testimony.
BY MR. GIUFFRA:
Q I'm going to show you that document, DKSN1008. This appears to be a message slip to the Governor. Is this the standard form document that you had in the Governor's office in 1987?
A Yes.
Q U-huh means yes?
A I'm sorry, yes.
Q Did you normally review all of these message slips that were left for the Governor?
A That's a memo.
Q What would this be called within the parlance of your office during 1987?
A A memo.
Q Would you have reviewed every memo to the Governor in 1987?
A Oh, yes.
Q Do you recall seeing this memo?

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A I don't know if I recall it at that moment, no.
Q Do you have any recollection, after reviewing this memo, of Mr. Randolph being angry about anything in 1987?
A No, not specifically.
Q Generally?
A No. I mean, generally all I know is that when we didn't do something that people wanted us to do, they got angry.
Q Do you recall Mr. Randolph being angry during 1987 with regard to the vetoing of the water bill?
(Pause.)
A Well, I think I vaguely remember seeing this and knowing it from this.
Q You vaguely remember seeing this memo bearing Bates number DKSN1008?
A Right.
Q Do you recall anything more about what you did when you saw this memo?
A I wrote "See if Sam will call him."

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Q So that handwriting's yours?
A Correct.
Q Is your handwriting anyplace else on this memo?
A No.
Q Where it says, it looks like U-G-H, is that Governor Clinton's handwriting?
A Yes.
Q And that's where it says someone I think UGH, who needs to call Tucker. It appears to be directed to that sentence.
A Oh, I don't know that. I think it was just general "ugh" to the whole thing.
Q Do you know why he might have written ugh there?
A That was his reaction to this whole thing.
Q Did you discuss what his reaction was to the issues raised in this memo? Do you recall any discussion about the issues raised in the memo?
A No. I think it all was just a matter of notes on pieces of paper that went back. I don't think we had meetings and discussions about this.

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Q Do you recall any communications you had with the Governor about the vetoing of the water bill?
A I don't.
Q What was the nature of the Governor's relationship with Jim Guy Tucker in 1987? Were they on friendly terms?
A Friendlier than it had been in '82. But they weren't particularly friendly.
Q Have you ever discussed this memo with Nancy Hernreich?
A No.
Q Have you ever discussed this memo with Governor Clinton at any time?
A I don't think so, no.
Q Have you ever discussed this memo with Sam Bratton?
(Pause.)
A We might have talked about it. I mean generally when a constituent was upset, we tried to talk to them, to make sure we understood, to see if there was a way it was reasonable to be of

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assistance. I don't think we had conversations. I mean we all had the same reaction to this.

It is just, it was something that was so offensive, when people would get mad at you for some action you had taken, that the Governor had taken, or that we on the Staff had taken, and throw up a campaign contribution, and I think that that's probably, in retrospect, what he was doing here. And it used to make us very angry because the two didn't meet.

Q What's the basis for your belief? In this memo, there's a reference to $33,000?

A Yes. You know, I can only guess that he was talking about the Madison fundraiser which I never at that time thought raised that much money, because at the fundraiser, we left with only about $22,000 or something.

MR. COHEN: That's a guess, Ms. Wright?

THE WITNESS: It's a total guess. I can only think this in retrospect was what he was doing. But it is infuriating to read that kind of connection, which he was obviously trying to make.

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BY MR. GIUFFRA:

Q Are you aware of any instances in which there was ever a connection between governmental action and political campaign contributions during the 1980s?

A No. Whether the contributions were to us or to our opponent, we continued trying to be wonderfully good public servants.

MR. COLE: I thought it was important to let you answer that question, even though it's outside the scope.

MR. COHEN: Before you objected, I knew it was objectionable.

MR. COLE: It's clearly outside the scope.

MR. COHEN: Even Mr. Giuffra knew it was an objectional question.

MR. COLE: But I don't want to suggest on the record that the full facts aren't coming out here, so I'm glad you answered that question.

BY MR. GIUFFRA:

Q You never discussed with Governor Clinton on any occasion, the fact that someone had made a

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campaign contribution and wanted some governmental action?

A Here's the way those conversations usually happened. It was, and we can't do it for them, so which one of us is going to call them and try to keep them from blowing up. I mean that was the way it usually happened.

Q Was there a concern about the fact that someone who had given a campaign contribution might blow up if the Governor did not take certain action that was requested?

A We were pretty much concerned about keeping people from blowing up. That was a general goal. We didn't like blow-ups.

Q So that if someone had not given a campaign contribution, you might never have had a discussion with the Governor about whether he should take some governmental action?

MR. COLE: I'm not following this line of questioning. It's getting very speculative.

Are you asking Ms. Wright about something specific, Mr. Giuffra, or are you just asking her to

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speculate?

MR. GIUFFRA: I'm asking her about her recollection.

MR. COHEN: Is this just a general question about good government in Arkansas in the 1980s, Mr. Giuffra?

MR. GIUFFRA: You can describe it however you want to.

MR. COHEN: I'm just looking for some linkage to the reason we're in here.

MR. GIUFFRA: I think it's connected to any number of things in the Resolution.

MR. COHEN: You get one free answer on good government in the 1980s.

THE WITNESS: I don't know what the question was.

MR. GIUFFRA: Why don't I restate the question?

BY MR. GIUFFRA:

Q Were persons contributing to Governor Clinton's gubernatorial campaigns given any additional access or consideration with regard to

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governmental actions during the 1980s?
A I think everybody had some kind of access. It seems to me like we gave a lot of special access to opponents. I remember those.
Q But if someone who was a contributor, were they given any special consideration with regard to governmental action?
MR. COHEN: I think she's answered, and I'm going to direct her not to answer any more questions. She's really fully fleshed out.
THE WITNESS: Not because they were a contributor, but because they were a citizen of the State, they may have been given special consideration. I mean, I'm far more focused on all the times when I didn't agree on somebody who had fought us every single time, and Bill Clinton's nature was, they are citizens of the State, and I'm their Governor too. So you just calm down. We're going to help them.
MR. COLE: I think that pretty much covers it.
BY MR. GIUFFRA:

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Q After the 1985 fundraiser at Madison, did you have any discussion with Governor Clinton about it that you can recall?
A No.
MR. COHEN: When you're ready to go to another topic, I just need a two-minute break.
MR. GIUFFRA: Okay.
BY MR. GIUFFRA:
Q Let me show you a document dated April 24, 1987, Jim Guy Tucker to Bill Clinton.
(Handing document to witness.)
MR. COHEN: Does it have a number on it by any chance?
MR. GIUFFRA: Unfortunately not.
MR. COHEN: A numberless document.
THE WITNESS: Came over the transom.
(Pause.)
BY MR. GIUFFRA:
Q Do you recall seeing this document?
A No. But, you know, that's a very common kind of letter.
Q Let me show you another document. This one

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bears the Bates number DKSN18010.
(Handing document to witness.)
BY MR. GIUFFRA:
Q This is a memo from Diane to Betsey Wright, Bill Clinton, 8:00 o'clock, 13/87. Who is Diane?
A She was Nancy Walker's assistant for a time. Nancy Hernreich's assistant.
Q Do you recall seeing this particular memo?
A No.
Q If you could help us with the handwriting, the handwriting to the left, the lower half of the document.
A Let me give you the order in which it all occurred.
Nancy got this memo first, and she wrote on it, Sam working on this, said he'd call him.
Q Who was the "him"?
A Jim Guy.
And I guess he said he would also call Representative Walker.
Q Let me ask you, you said he'd call him.

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Now you're quite certain that the "him" refers to Jim Guy Tucker?
A No. It could be Representative Walker since he's working on it.
Q Why did you believe it was Jim Guy?
A Because I just looked at my note telling Sam to call Jim Guy.
Q Then it says here, if you could read, this is Bill Clinton's handwriting?
A This is B.S. I thought Sam called J. Guy, did he? I thought PSC not regulating this project, right? question mark.
Q Now you would have gotten this memo, is that correct?
A It would have gone through me, yes.
Q Would this handwriting of Governor Clinton's have been directed to you to take some action?
A Yes, I would have distributed it back out to the appropriate staff.
Q Do you remember anything about this memo?
A I don't. Bill Clinton had more paper than

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any governor in the history of civilization, or so he told me.

MR. COLE: Most of it we have now at this Committee.

BY MR. GIUFFRA:

Q Let me show you now DKSN18009.

(Handing document to witness.)

BY MR. GIUFFRA:

Q Is that your handwriting?

A No.

Q Do you know whose handwriting this is?

A I think it's Nancy's.

Q The entire document is Nancy's?

A I think this was a note probably that was then stuck on that that said ask Sam again, be sure Walker has been called. That's just internal control mechanisms to make sure follow up happened for citizens and legislators.

Q Let me show you another memo, May 18, 1987, Sam to the Governor. Excuse me, May 1987.

(Handing document to witness.)

BY MR. GIUFFRA:

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Q Bates Number DKSN 18011 and 18012. Do you recall seeing this memo?

A Not at the time. I only remember it now from review from this.

Q Has your opportunity to review this memo refreshed your recollection if you've ever seen it?

A I'm sure I did see it.

Q Do you recall anything more about this memo?

A It was a report on the request we made for Sam to call and get on top of the issue.

Q Do you recall anything more about what it covered with regard to this particular piece of legislation after you were given this memo?

A No.

Q Ms. Wright, have I exhausted your full knowledge with regard to House bill 1780 which was vetoed, and the subsequent bill which was enacted into law, which would be Act 37 of 1987, these relating to a bill to deregulate ratemaking for small utilities?

A About ten times over.

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MR. GIUFFRA: All right, do you want to take a break?
(Discussion off the record.)
(Recess.)
(Discussion off the record.)
MR. GIUFFRA: Let's go on the record.
Prior to the break, I asked Ms. Wright whether she had had any communications with either Mr. Herbert Branscomb or Robert Hill regarding fundraising activities of Governor Clinton's campaigns prior to 1990.
Am I correct Ms. Wright was instructed by her counsel not to answer those questions because counsel advised Ms. Wright that this question was outside the scope of Senate Resolution 120?
MR. COHEN: That's correct.
MR. GIUFFRA: As I indicated previously, the procedure for the conduct of depositions is set forth in Section 5(b)(7) of the Resolution, and I'll just read this into the record.
MR. COHEN: You don't have to read that section. I'm familiar with it.

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MR. GIUFFRA: I just want to make sure it's in here, just for the purpose.
If a witness objects to a question or refuses to answer on the basis of relevance or privilege, the Special Committee Staff will proceed with the deposition, or may, at that time, or at a subsequent time seek a ruling on the objection from the Chairman. If the Chairman overrules the objection, the Chairman may order and direct the witness to answer the question. But the Special Committee shall not issue procedures pertaining to civil or criminal enforcement unless the witness refuses to answer after having been ordered and directed to answer.
During the break, I raised this issue with Chairman D'Amato as to whether questions going to communications between Ms. Wright and Messrs. Branscomb and Hill regarding fundraising activities of Governor Clinton's campaigns prior to 1990 were relevant to matters specified in the Resolution, and the Chairman has ruled. The Chairman is overruling the objection of Ms. Wright to such questions

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pursuant to his authority under Section 5(b)(7) of Senate Resolution 120.

The Chairman believes that questions going to such communications are relevant to Section (1)(b)(3)(g) of the Resolution.

MR. COHEN: That's the lending activities of the Perry County Bank in connection with the 1990 Arkansas gubernatorial campaign?

MR. GIUFFRA: Correct. He believes it's relevant to Section 1(b)(3)(g) which in full reads: to conduct an investigation and public hearings into and study of all matters that have any tendency to reveal the full facts about the lending activities of the Perry County Bank, Perryville, Arkansas, in connection with the 1990 Arkansas gubernatorial election.

The grounds for his ruling are as follows:

One, he believes that such questions might elucidate or demonstrate a prior course of dealing in connection with the activities of Mr. Branscomb and Mr. Hill as it relates to the 1990 Arkansas gubernatorial election, and also note that Messrs.

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Branscomb and Hill have recently been indicted for their activities in connection with the 1990 Arkansas gubernatorial election.

And he also finds that such questions may divulge and show a common scheme or plan. They also may be relevant to show the nature of the relationship between Messrs. Branscomb, Hill, and Governor Clinton, and they also, such questions are relevant to show knowledge, intent, and motive.

In view of this ruling, I am authorized to advise you that the Chairman is ordering you, Ms. Wright, and directing you to answer the question.

MR. COHEN: I'd like to take the Chairman's direction to Ms. Wright under advisement myself, since we've just obtained it, and suggest that you go on to other areas. We'll get back to you on our position with respect to the Chairman's order.

MR. GIUFFRA: Okay.

BY MR. GIUFFRA:

Q Ms. Wright, are you familiar with a real estate project in Arkansas 1985-86 called Castle Grande?

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A I thought I answered that question.
Q I just looked at the deposition, and there's no reference to Castle Grande.
MR. COLE: Yes there is, today.
THE WITNESS: Today.
MR. COHEN: It won't be in that other one. I think Ms. Wright thought that Castle Grande and Castle Sewer & Water project were the same thing.
BY MR. GIUFFRA:
Q It's slightly different. Castle Sewer & Water is part of the project.
A The answer I gave is that there were just these general things out there that McDougal developed.
MR. COLE: I don' think that's the case, Mr. Giuffra, but since neither you or I are testifying today, I wouldn't characterize Castle Sewer & Water as part of Castle Grande, but it's irrelevant what you and I think since we're not the witnesses.
BY MR. GIUFFRA:
Q Do you have any familiarity with this

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particular real estate development other than what you've testified to today with regard to Castle Sewer & Water?
A Just in the way it keeps coming up in the news accounts.
Q Did you have any discussions in either 1985 or 1986 with anyone about this Castle Grande real estate development?
A No. We weren't involved in the McDougal business ventures except in specific aspects where he'd raised questions with state operations.
Q Did Governor Clinton ever mention Castle Grande to you?
A I don't know.
Q Were you aware that the Rose Law Firm had done some legal work in connection with the acquisition of a property land south of Little Rock from the Industrial Development Corporation of Little Rock?
A I am from newspaper accounts.
Q Any knowledge at the time?
A No.

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Q Were you aware the Rose Law Firm had done some legal work in connection with the acquisition of this property from the Industrial Development Corporation of Little Rock?

MR. COLE: On behalf of Madison Guaranty, is that your question?

THE WITNESS: In the '86 campaign, the issue of Rose Law Firm's association with them I think came up.

BY MR. GIUFFRA:

Q Is that with Madison or the Castle Grande transaction?

A Madison.

And I don't know that I ever bothered breaking down the specific aspects.

Q What do you recall about the Rose Law Firm's relationship with Madison Guaranty coming --

Strike that.

In what context did the Rose Law Firm's relationship with Madison come up during the 1986 gubernatorial election?

A I don't remember.

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Q Do you recall anything about how the issue was raised or what the issue was?

A I may be confusing it with issues that were raised about Rose Law Firm and the state bond business instead of Madison.

Q Okay. You don't recall any discussion of any connection between Madison and the Rose Law Firm coming up during the '86 campaign?

A I'm not sure.

Q Do you recall Madison and Rose Law Firm coming up in any campaign prior the 1992 presidential campaign?

A Not specifically, but it may have.

Q Do you know whether the Governor ever spoke to Mr. McDougal about anything having to do with Castle Grande or the IDC project?

A I don't know.

Q Did you know where the Castle Grande project was?

A Vaguely.

Q Where? Where was it located to the best of your understanding?

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A Out there.
Q Was it located south of Little Rock?
A I didn't know directions.
Q Did you and the Governor ever attend any meetings at the Castle Grande real estate project with anyone?
A Is this the one where David Hale claims that Bill went to a meeting with him?
Q That's not my question.
A Is this the one where Bob Nash discussed bluejeans with McDougal?
Q It could be another visit.
My question is are you aware of any meetings the Governor attended?
MR. COHEN: Other than --
THE WITNESS: I know that Bill dropped by one of McDougal's real estate development offices, I don't know the name of it, just to see it once, and that Bob was with him. But I don't know if it was Castle Grande. I think it was out there. I think that was out there.
BY MR. GIUFFRA:

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Q How did you come to learn that Mr. Nash and Mr. Clinton visited one of Mr. McDougal's real estate development projects?
A Bob told me.
Q He told you back in 1985 or '86?
A Yes.
Q What did Mr. Nash say to you about this visit to one of Mr. McDougal's real estate projects?
A I'm sure he was in the process of explaining to me why they were so late getting back to the office. I made everybody answer to me on why they were late.
Q Did there come a time, subsequent to this visit of the Governor and Mr. Nash to one of Mr. McDougal's real estate projects, that you discussed that visit with anyone?
A No. It was just a drop by.
Q Did you ever discuss the fact that Mr. Nash had visited Mr. McDougal's real estate project with Mr. Lindsey?
A Yes, I think I told him, since all this came up.

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Q That's my question.
A Yes. I think I told Mr. Lindsey that I remembered this, and I think I told Mr. Kendall that I remembered this, and I think I told Mr. Nash I remembered this.
Q Do you recall anything more about what you might have told Mr. Nash, Mr. Kendall, or Mr. Lindsey about this visit?
A Just that I did know that Bill went to visit one of McDougal's offices one time and that Bob Nash was with him, as they were coming back from some other meeting, just to drop by.
Q Do you recall any discussion during '85 or '86 of the Levi Strauss plant located on the IDC Castle Grande property?
A Oh, sure. I don't remember a discussion putting it on the Castle Grande property, but I was very well aware of the Levi Strauss plant.
Q There was actually --
MR. COLE: I think we need to be careful here, and I just don't want -- there's a plant in Little Rock and a warehouse, and I just think you

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should be very clear in your questions so the witness knows whether you're talking about the Levi Strauss manufacturing facility or a warehouse that was leased.
BY MR. GIUFFRA:
Q Are you aware of the Levi Strauss manufacturing facility?
A Sure.
Q That was located in Little Rock?
A Yes.
Q Are you aware of this Levi Strauss warehouse?
A No.
Q What do you recall about the manufacturing facility?
A It was jobs.
Q Do you recall anything else about it with regard to this particular manufacturing facility?
A Yes. I mean not in any relationship to any of this, just in terms of the economic contribution of the plant, and trying to make sure that all of the national officials of Levi Strauss

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knew we were very happy they were there, employing people.

I think they were a union plant, so I think I had conversations with some of the unions there.

Q Did you have any conversations with Mr. Nash?

Did Mr. Nash indicate to you there was discussion of Levi Strauss or bluejeans during the meeting between Governor Clinton and Mr. McDougal?

A No. I learned that only from his testimony.

Q Did there ever come a time when you learned there were discussions involving opening of a brewery at the Castle Grande real estate project?

A I know that -- no, I don't think I remember it from then.

Q Let me show you a document. This is a letter from Jim McDougal to you, dated December 12, 1984.

(Handing document to witness.)

BY MR. GIUFFRA:

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Q Have you ever seen this letter before?

A I'm sure I did. I read all of my mail.

Q Do you have any recollection of this letter?

A No.

Q Did counsel show you this letter prior to your coming here today?

MR. COHEN: I object to that on privilege grounds as to what I may have shown her and how I prepared her.

Off the record for a minute.

(Discussion off the record.)

BY MR. GIUFFRA:

Q Do you recall receiving this letter?

A No, I don't. But again, this was a very common kind of letter.

Q Attached to this letter is a proposed bill which would allow beer manufacturers to sell beer at retailing restaurants located on the premises of such manufacturing facilities for consumption on the premises.

Do you recall this proposed piece of

legislation?
A I remember a conversation about whether beer manufacturers should have equal grounds with the wineries.
Q The wineries were able to sell at the manufacturing plant at retail?
A As I recall.
Q Do you recall ever discussing any legislation to put beer manufacturers on an equal footing with wine manufacturers?
A No. I mean I'm sure that's the only way it came up is if somebody had put it into legislation.
Q Did you ever have a discussion with Governor Clinton about such legislation?
A No.
Q Jim McDougal?
A No.
Did this pass?
Q I'm just asking you whether you had any communication with anyone? No recollection of any communication?



A No.
Q Do you know a man named William Lyons?
A I know who he is.
Q Who is he?
A The guy who ran against Bill for the Congress, resigned from the Bank Board to do it. He had been a friend of McDougal's, and when McDougal was on the staff in the first term and was in charge of supervising appointees to the Bank Board.
Q Do you know whether Mr. McDougal recommended his appointment to the Bank Board?
A I do. He was the staff person at that time who made those recommendations, yes, to the Bank Board.
Q Do you know whether Mr. McDougal recommended that Mr. Lyons be asked to resign from the Bank Board?
A I don't. All I know is that we received a letter from Mr. Lyons saying that he and his son were going into some kind of business and he was going to resign. And shortly thereafter he filed for the Congress to run against Bill in the Democratic

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primary.
Q You don't recall anything more about Mr. Lyons' resignation from the Bank Board?
A That's it.
Q By the way, did you ever speak to Mrs. Clinton about the opening up of a tasting room at a brewery located at Castle Grande?
A No.
(Laughter.)
THE WITNESS: I did once talk to her about Maybelline mascara, which is sort of in the same giggle category.
MR. COLE: That's not within the scope of the Resolution.
(Laughter.)
BY MR. GIUFFRA:
Q You're not aware of any discussions between the Governor and Mr. McDougal regarding legislation that would permit a tasting room to be located on the facilities of a beer manufacturer?
A No.
Q Were you aware that the Rose Law Firm

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represented Jim McDougal and Madison Guaranty with regard to the legal issue concerning whether a tasting room for a brewery could be located in any dry township?
A I don't think so.
Q Do you know of a McDougal real estate project called Maple Creek Farms?
A Yes.
Q Did you ever speak to Mr. McDougal about his real estate project?
A I don't think so.
What I know about it is that they did do tv ads on that one, and his wife rode this horse.
Q Do you know a person by the name of Janice Choate?
A Yes.
Q Who was Janice Choate?
A She was a member of the Governor's staff.
Q Do you recall ever setting up a meeting between the Governor and Mr. McDougal and members of the state health department regarding anything having to do with Maple Creek Farms?

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A I remember that there was a meeting about a health department problem on one of his developments. I never even tried to separate out what all of his projects and businesses were.
Q What do you recall about that meeting, if anything?
A He felt like the sanitarians, inspectors, or whoever was working on it, were being unreasonable. So we set him up at a meeting with the director and the deputy director and Janice as was the custom of the health department assigned new inspectors or sanitarians or whoever was working on it. And he still had to comply with the things they said he had to comply with.
Q Do you recall anything about the meeting?
A No.
(Pause.)
Q You know Carol Rosco, correct?
A Yes.
Q Did she work for the Governor during the 1980s?
A Yes.

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Q What was her job?
A Initially she was responsible for liaison work to Health and Human Services and like agencies.
Q So she would have had some liaison responsibilities with the health department?
A That's correct.
I eventually promoted her to a position of overseeing about half of the staff liaisons and I oversaw the other half.
Q And she now works for the White House?
A Correct.
Q What's her job?
A She is the domestic policy advisor to the President.
Q Let me show you a memo dated January 18, 1986. It bears Bates number DKSN13423. There's some handwriting up in the right hand corner at the top.
Is that the Governor's handwriting?
A Yes.
Q It says, Rosco, this is McDougal memo --.
Do you recall ever seeing this memo?
(Pause.)

A No.
Q Any general recollection of the memo?
A No.
Q Let me show you another memo that bears Bates number DKSN14318, dated January 30, 1986, from Ms. Choate to the Governor. Subject, McDougal.
(Handing document to witness.)
BY MR. GIUFFRA:
Q If you could just review that memo.
(Pause.)
Do you recall ever seeing this memo?
A Vaguely because of the tennis thing. She didn't go through his coat pockets.
Q What more do you recall about it?
A That's it. You know, it was just a complaint.
Q Do you recall any more about any complaints that McDougal had regarding the health department at any time?
A No. But let me say that all developers have complaints about the health department. These were daily occurrences. Nobody wanted to comply with



the standards, or they always wanted to find ways to shortcut so it was just one more of those.
(Handing document to witness.)
BY MR. GIUFFRA:
Q I show you a memo from Carol Rosco to the Governor, dated February 5. It bears Bates number DKR -- I can read the rest of it -- or is it 617?
A This confidential staff is something that the House produced.
Q Do you know a man named Tom Butler?
A Yes. He was deputy director of the health department.
Q This doesn't refresh your recollection of any issue involving Mr. McDougal and the health department?
A Not beyond, I mean, it's just all backup material to what I just told you I remembered. That he had some problem with the sanitarians and the kind of requirements they had. I think it was septic tanks where there were always complaints about septic tanks. There were very strict standards on them.
Q Do you ever recall discussing Mr.

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McDougal's problems with regard to septic tanks with the Governor?
A I remember that we had a meeting in the Governor's office with Mr. McDougal and the director of the health department, the deputy director of the health department, and I think Janice probably sat in that meeting.
Q Do you recall anything more about the meeting?
A That as a consequence of the meeting, as was the custom of the health department when there were very loud complaints about the sanitarians that had been assigned, they assigned new sanitarians who took a look at it, and the ultimate result was the same. That he had to comply with the health department standards. And that the Governor told Tom Butler, you do what you need to do, at the end of the meeting after they left.
Q Did you ever have any communications with Tom Butler about Mr. McDougal's problems other than the conversations you testified to?
A No.

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Q I'll show you another memo, it bears Bates number DKSN13421.
(Handing document to witness.)
(Pause.)
Do you recall seeing this memo?
A No, not specifically.
Q From Ms. Choate to the Governor?
A But it's the common follow-up. It would have been a routine follow-up from specific complaints about specific state employees.
Q The memo says that McDougal told the health department employees that the Governor was his good friend.
A Another common Arkansas phrase.
Q Would you describe, under an ordinary English definition, would you describe the Governor as a good friend of Mr. McDougal's?
A Mr. McDougal had been on his staff. Yes, they had known each other for years.
Q The letter goes on to say, quote "I am reassured that they have held their tongue and continued to make an effort to work cooperatively

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with McDougal et al." close quote.
Do you know what Ms. Choate might have meant by that?
A It was very common for people to threaten state employees with their relationship with the Governor or with God, and state employees just had to bite their tongues and take it. We didn't interfere with what they had to do.
We always knew that they would probably come to us. I mean, my favorite was the man who once had an ice cream cone next to the Governor at a county fair, and they were good friends because the Governor let me know if I can ever do anything for you.
Q Why don't you keep the memo in front of you.
Do you recall any discussion at any time, when you were chief of staff to the Governor, about the fact that other employees in the office had to take steps to address issues raised by Mr. McDougal?
MR. COHEN: I'm sorry, could you rephrase that.

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MR. GIUFFRA: Let me rephrase the question.
BY MR. GIUFFRA:
Q Do you recall any discussions at any time, while you were chief of staff, of what the consequences might be for the Governor if members of his staff were not courteous to Mr. McDougal?
A No more than any citizen. I mean, we weren't supposed to be discourteous to anybody.
Q Was there any discussion of the fact that employees of state agencies should make an effort to be courteous to Mr. McDougal at any time?
A No more than anybody. They were supposed to be courteous to everybody.
Q Do you know whether Ms. Choate was aware of the fact that Governor Clinton and Mr. McDougal were business partners in connection with the Whitewater Development Corporation?
A I doubt it.
Q Do you know who else in the Governor's office might have been aware of the fact besides yourself of the Whitewater investment?

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A I don't think anybody knew what it was. It was just some real estate venture that wasn't going anywhere. That is very routine staff work. It has nothing to do with Jim McDougal. I'm volunteering. We did that weekly for people who didn't want to meet the health department standards.

MR. COLE: It may not be clear on the typed record here what the that is that you're referring to.

He was just asking you about Whitewater Development Corporation.

MR. GIUFFRA: You're referring to the document Bates stamped number DKSN13421.

BY MR. GIUFFRA:

Q My question was, besides yourself, who else in the Governor's office was aware?

A Anybody who read the newspaper articles closely that wrote about the financial disclosures we filed every January.

Q So the Whitewater investment, to the best of your recollection, was reported in the newspapers in Arkansas during the 1980s?

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A Oh, absolutely.

Q In fact, Mr. McDougal was also a partner of Mr. Clinton in connection with Whitewater. Was that also reported?

A I don't know.

Q Do you know whether any other members of the Governor's office staff were aware of the fact that Governor Clinton and Jim McDougal were business partners?

A They probably were. It wasn't a secret. If asked what Whitewater, he'd say oh, that's a land deal that we're in with McDougal.

Q Do you recall him discussing the fact that he had this business relationship with Mr. McDougal with any member of the staff?

A Me.

Q Anyone else?

A I don't remember anybody else.

Q Do you know whether Ms. Rosco was aware of this business relationship between the Governor and Mr. McDougal?

A I don't know. I have no idea whether she

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was aware. It was absolutely irrelevant that they had a business relationship.

Jim McDougal is a former member of Bill Clinton's staff.

Q I'm not asking for a speech. I'm asking --

A And that's all the relationship responded to.

Q All I'm asking though is do you recall whether any other members of the staff were aware?

A I don't. I don't know.

Q You never discussed it?

A The dominant identity with Mr. McDougal by members of the Governor's staff who were aware of its existence was that he had been a member of Bill Clinton's first gubernatorial staff.

(Pause.)

BY MR. GIUFFRA:

Q I show you another document. This bears Bates number DKSN13381 and 82.

Let me direct your attention --

(Handing document to witness.)

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BY MR. GIUFFRA:

Q First of all, do you know whose handwriting this is?

A I believe it's Ms. Rosco's handwriting.

Q Would she have sent this around to people, as far as you know?

A I think it's for her own --

Q Let's look at the bottom. There's a reference that looks like JC-BW called Jim McDougal and said I failed to get names down.

Then below that, it says, 10 JC Board of Health.

Do you know this reference where it says "BW called Jim McDougal and said I failed to get names down" refers to?

A No. I can only guess.

Q What do you think it relates to?

MR. COHEN: Guessing is probably not particularly helpful. What's your best guess?

MR. COLE: It's not an estimate so it must be a guess.

BY MR. GIUFFRA:

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Q What do you think this refers to?
A Is this date 1/23/ do you think?
Q Yes.
A And what was Janice's date about the memo on the pocket?
(Pause.)
Q That was dated January 3rd.
A I don't know. Maybe it was just a way of saying that --
Q It related to the names of the sanitarians?
A Just telling them I forgot who they were. I didn't get the names down.
Q Who would JC be?
A Janice Choate.
Q BW. Do you recall calling Jim McDougal yourself?
A No.
Q Why would there be a reference to you in this note?
MR. COHEN: You can ask Ms. Choate that. You've already asked her what she thinks of it or

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knows about it. She's told you she doesn't know anything.
BY MR. GIUFFRA:
Q Let's turn to the next page. This is 121. It bears Bates number DKSN13382. And there's another notation. BW/Jim McDougal's probs.
Any recollection what that might be related to?
A Tell me again where it is.
Q Down on the bottom, the 6th entry from the bottom.
A Let me tell you what I think this is. I don't think it's a to-do list. I think she was taking her voice mails off the phone. And that the first initials before the colon were always who the voice mail was from. And those were the notes that she made.
Q So this would be a voice mail from you?
A I think that's what that says.
Q Do you recall discussing Jim McDougal's problems regarding any subject with Ms. Rosco?
A Not specifically.

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Q Generally?
MR. COHEN: It's his turn to say generally now.
THE WITNESS: Mr. Giuffra, Mr. McDougal was a problem. He always had problems, and they were never important enough to me to reduce to permanent memory cells in my brain.
BY MR. GIUFFRA:
Q But do you recall speaking with Mr. McDougal about his problems on occasion?
A Not specifically.
Q Generally?
A I probably did.
Q Do you recall what the frequency would have been between 1985 and 1986 with which you would have spoken to Mr. McDougal about his problems?
A No, I don't.
MR. COHEN: She told you two or three times she thought the entire period the last time.
THE WITNESS: But I was aware of generally when he spoke to anybody else on the staff.
MR. GIUFFRA: We have a document that

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indicates two possible communications between Ms. Wright and Mr. McDougal on the 23rd, so I'm just trying to test whether or not you have any other recollection of communications with Mr. McDougal.
MR. COHEN: Okay.
BY MR. GIUFFRA:
Q Do you want to up the estimate of the number of communications you might have had with Mr. McDougal from two to three to four or five?
What do you think it was?
A It's a handful of communications with him. We weren't pen pals or anything.
Q Some place around five you would estimate?
A I have no idea.
Q Can you give us an estimate?
A Just a few. I didn't talk to him very often.
Q I'll show you another document that bears Bates stamp DKSN13404, a memo from Ms. Choate to Governor, 3/5/86. Subject, follow-up to McDougal. Call for department meeting with you.
(Handing document to witness.)

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MR. COHEN: The "you" in that is Bill Clinton?
MR. GIUFFRA: Probably so.
(Pause.)
BY MR. GIUFFRA:
Q Any recollection of this memo?
A She didn't get peeved very often and I rarely sent peeve memos on into the Governor, but I obviously did that one, which he wrote, thanks.
Q Now do you know anything about any discussions between the Governor's office and Mr. Butler with regards to the removal of certain sanitarians from their position?
A The custom was that when there were really bad complaints about a couple, that they would reassign them and put new sanitarians on them.
Q On a real estate project?
MR. COHEN: You didn't mean that they were fired, you meant sort of removed from that program.
THE WITNESS: Reassigned, that they put new sanitarians on it.
BY MR. GIUFFRA:

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Q So that was a normal practice that if a developer complained about --
A If it was a really vehement complaint, that there seemed no way to resolve and calm down, then the practice was to put a different sanitarian on it and see if they had a different opinion.
And as I, I've said this now twice to you today, that it still came out the same way.
Q Now would this be a courtesy that would be accorded to any real estate developer in Arkansas that complains to the Governor's office?
A Not necessarily if they complained to the Governor's office. If they were just really vehemently felt very strongly that they were being mistreated or wronged, then it was like calling in people for a second opinion.
MR. COLE: Was this a policy of the Governor's office or the health department?
THE WITNESS: I believe it was a health department policy.
BY MR. GIUFFRA:
Q Would the Governor normally meet with real

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estate developers and the health department with regard to problems at real estate developments?

A Generally we tried. If they went to the Governor's office, we tried to handle them at the staff level.

Because Jim had been a former member of the staff, he was accorded a meeting with the Governor. Jim was not an easy personality to deal with. I don't think any of us ever overlooked that fact.

Q Do you know about how many meetings the Governor might have had with Jim McDougal during the 1980s in your office that you were present at?

MR. COHEN: She catalogued these for you in the first third of her deposition the other day.

THE WITNESS: Not that I know of.

MR. GIUFFRA: No problem. We'll just go on.

BY MR. GIUFFRA:

Q Do you recall any discussions in the period March 1986 about the need to lay off any sanitarians?

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A For budget purposes or related to this or what?

Q Either.

A I don't. I'd have to have more information. That memo we were just talking about, is that what you mean?

Q There's a reference to laying off people on the last page of the memo.

A Yes. The budget cuts. We had a revenue shortfall.

Q So you had to lay off sanitarians, correct?

A I'm sure that they were part of it.

Q Do you recall, do you know whether the sanitarians who had been involved in supervising or regulating Mr. McDougal's Maple Creek Project were among those that were laid off?

(Pause.)

A Okay, the meeting with McDougal and the health department people was on March 4th, and I think the budget cuts had already taken place. I mean, this also makes it sound like the budget cuts

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had already happened.
Q So it would be your testimony that these budget cuts predated the meeting of March 4, 1986?
MR. COLE: Mr. Giuffra, the Committee has already deposed the sanitarians at issue and knows the history of this. Is it really helpful to try to probe this with Ms. Wright.
MR. GIUFFRA: I'm just asking Ms. Wright what she recalls.
THE WITNESS: I don't remember any layoffs in connection with McDougal's complaints.
BY MR. GIUFFRA:
Q No connection between McDougal's complaint and any layoffs in the health department?
A And they didn't show those sanitarians on C-SPAN so I didn't see them.
MR. COLE: We deposed them. There haven't been any hearings. I didn't mean to mislead you. Private depositions like the one we're having now, which neither Mr. Giuffra nor Mr. Brenner attended so they may not be as familiar with that testimony as I am, although I'm sure that they reviewed it in

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preparation for the deposition today.
BY MR. GIUFFRA:
Q I'll show you another document that bears the number House Subfile 4, a letter from Tom Butler to Jim McDougal, on the Arkansas Department of Health stationery.
Do you recall seeing this letter on any occasion?
(Pause.)
A No. I may have.
(Pause.)
Q Do you recall any communications involving Mr. McDougal and either the Governor, yourself, or anyone in the Governor's office regarding appointments to the State S&L Board?
A From documents I've seen recently, I don't know that I recall them specifically at the time, yes, I do, vaguely.
Q Do you have a recollection of Mr. McDougal making recommendations to the Governor with regard to the State S&L Board?
A Yes.

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Q Do you recall whether anyone else made recommendations to the Governor with regard to the State S&L Board?
A Are you sure we didn't already talk about this?
Q I don't think we did.
MR. COHEN: Actually, we did, but not in extensive detail.
Go ahead. But may I recommend assembling all the neat little letters and thank you letters and stuff like that so we can do this.
MR. GIUFFRA: We'll do it as expeditiously as possible.
MR. COHEN: Because as I explained to you, --

MR. GIUFFRA: I know. I'm trying to go as fast as I can.
BY MR. GIUFFRA:
Q Do you recall any communications between you and the Governor?
A We generally sought recommendations from the Savings & Loan Association. I generally would

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call heads of state-chartered S&Ls. It just depended. There wasn't much demand for that position.
Q Do you recall whether anyone else specifically would have made a recommendation?
A I don't remember about that specific position.
Q Do you recall whether Mr. McDougal make recommendations with regard to the State Savings & Loan Board?
A I do remember he did at least once.
Q What's the occasion in which he would have made a recommendation?
A Some year when one came up.
Q Do you recall who he recommended?
A No. Somebody who worked for him, I think.
Q John Latham?
A Yes.
(Handing document to witness.)
BY MR. GIUFFRA:
Q Let me show you a document that bears Bates number DKSN25953, a memo from Cathy, it looks

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like to the Governor and MS.
Who was MS?
A Maurice Smith.
Q He would have been, what was his position?
A He was executive secretary for like the first 18 months from January '83 to like July of '84.
Q Did he have a position after that in the Governor's office?
A No. He did help us on legislative staff during the sessions.
Q Do you know whether he would have had a role in the Governor's office in February '85?
A Who, Maurice?
Q Yes.
A I don't think this was in '85, do you?
Q Do you know Cathy?
A Yes.
Q Who is Cathy?
A She was over appointments to boards and commissions, but I think she was gone by '85.
Q What was her last name?
A Gibson.

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Q You think she was gone, so your best estimate is that this would probably have been written in '84?
A '83 or '84.
Q Is that the Governor's handwriting across the top in the darker pen?
A Yes.
Q Could you just read the handwriting?
A Let's ask Jim McDougal for rec, maybe fill a vacancy in county we need.
Q And there's a reference to Mr. Latham.
Any other recollection of anything having to do with Mr. Latham's appointment to the State S&L Board?
A No. But it looks like she called Jim and he recommended John Latham.
Q Let me show you another document which bears Bates number House number 10235, a February 7, 1985 memo from Jim McDougal to Governor Clinton.
(Handing document to witness.)
BY MR. GIUFFRA:
Q This would seem to indicate that this

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handwritten memo was written in '85.
A Yes, it would.
Q Do you recall seeing this memo?
A Yes, vaguely.
Q What do you recall about it?
A Just seeing this memo.
Q Ever have any discussions with Governor Clinton about the appointment of anyone recommended by Mr. McDougal to the State S&L Board?
A No.
Generally, you know, this was a very powerless board which had little to do. There were, as this indicates, certain ones that had to be filled from people, executives within the S&Ls. We tried to be sensitive to state-chartered S&Ls because they were obviously very different from Federal chartered ones. This was a very common thing, and usually we did them only by memo. We rarely, I don't recall a time when they came up in a meeting.
MR. COLE: Well, how many state chartered S&Ls were there approximately?
THE WITNESS: I don't recall, but just a

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handful.
(Pause.)
BY MR. GIUFFRA:
Q What was your understanding of the nature of the relationship between Dan Lasater and Governor Clinton?
A Friendly. Lasater had been a supporter.
Q Did you ever have any discussions with Mr. Lasater about a fundraiser that Mr. Lasater organized for the Governor at any point?
MR. COHEN: Check your prior testimony after the first break. Lasater friend, acquaintance lined up airplane, visited home, fundraiser for political. Roger Clinton worked for Dan Lasater briefly. Are you aware of that fact? Yes. They had been before I arrived at Arkansas.
Would you like me to go on reading my notes, or would you check the testimony so you could start from where you left off?
Yes, he visited the Governor's office, or she doesn't remember. And he may have visited. Was invited to the mansion but doesn't remember if he

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went.
And you pick up somewhere after that point.
MR. COLE: Probably around page 104 to 110.
MR. GIUFFRA: I see.
MR. COLE: Good notes, Al.
MR. GIUFFRA: What was the last question?
MR. COLE: The last question was, the visits to the Governor's office.
MR. GIUFFRA: No, that wasn't the last question.
MR. COHEN: Let me flip to the next page. I'm sorry, my notes fell off there. Oh, I'm sorry, then we go to the Chief of Staff Governor contacted Dan Lasater re admin state police bond offerings.
We go all the way through the bond offerings.
MR. GIUFFRA: I'm just asking Ms. Wright did she ever help plan a fundraiser that was organized by Dan Lasater.
THE WITNESS: I don't believe I was

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involved in the organizing or planning of it. I was aware of it.
BY MR. GIUFFRA:
Q Do you know what campaign that fundraiser was for?
A '84 maybe.
Q Do you recall how much money was raised at the fundraiser?
A No.
Q You wouldn't have had any communication with Mr. Lasater in connection with that fundraiser?
A I don't believe I did directly. I think I oversaw the staff work on it, of getting it scheduled, and then seeing to it that thank you letters went out.
Q Do you recall approximately how many people might have attended the fundraiser?
A I have no idea. I don't believe I attended.
Q Do you recall where it was held?
A I think it was held at either his home or his office.

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Q Did you or anyone on your staff --
Strike that.
Did you ever speak to Dan Lasater about appointments to the Board of the Arkansas Development Finance Authority?
A I don't remember if I did. I know that we had communications with him.
Q What do you recall about those communications with Lasater regarding appointments to the ADFA Board?
A Well, thanks to Mr. Yost of the AP, I'm aware of who he recommended, most of whom were people that everybody was recommending. And that they were people who were on the Housing Development Board and who then got moved to the new ADFA.
Q Do you recall any communications involving Mr. Lasater and anyone on your staff or the Governor regarding those appointments?
A Do I remember it from the time? No. But it seems like we had a deluge of recommendations.
Q Do you recall any specific recommendations from Mr. Lasater?

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A I do from my conversations with Mr. Yost, when he was reading me the names.
Q Do you recall discussing with anyone the fact that Mr. Lasater had made recommendations to the ADFA Board?
A No, because almost everybody did.
Q So you don't recall any discussion between yourself and the Governor with regard to recommendations by Mr. Lasater to the ADFA Board?
A What time period are you discussing? Was this when it first was created?
Q On any occasion.
A Or later?
Q On any occasion?
A I might have later had a conversation with Patsy Thomasson about someone that she or Dan or somebody both wanted. I don't remember.
Q Do you recall the name of the person Ms. Thomasson might have asked to be appointed to the ADFA Board?
A I think it was Bell, and I don't think we appointed him.

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Q Do you recall anything more about your conversation with Ms. Thomasson about the possible appointment of?

A Mr. Bell?

Q Mr. Bell to the Board?

A No. I don't believe we ever did appoint him, though. When ADFA was created almost all investment bank companies made recommendations. Almost everybody recommended that the people who had been on the Housing Development Board be now appointed to ADFA.

Dan Lasater didn't stick out because he didn't ask for anything different from what everybody asked for.

Q Do you recall anything about the appointment of Patsy Thomasson to the Arkansas State Highway Commission?

A No, because that happened when Pryor was Governor. Pryor appointed her.

MR. COLE: Is that included in the Resolution?

(Pause.)

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MR. BEN-VENISTE: Excuse me. Did you hear Lance Cole's question?

MR. COLE: I asked if Ms. Thomasson's appointment to the Highway Commission by Governor Pryor is within the scope of our Resolution.

I suppose the laugh means no?

MR. BEN-VENISTE: Can I ask a question since we're into the scope of the Resolution?

MR. GIUFFRA: Let's go off the record.

MR. BEN-VENISTE: No, I'd like it on the record.

That has to do with the nature of the review which has been obtained here today in connection with Ms. Wright's knowledge of campaign contributions prior to 1990.

MR. GIUFFRA: That wasn't what it was about. It was about communications that Ms. Wright might have had with Branscomb or Hill regarding campaign fundraising prior to the 1990 campaign.

MR. BEN-VENISTE: Is that with respect to any Clinton campaign or anybody's campaign?

MR. GIUFFRA: Clinton campaigns.

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MR. BEN-VENISTE: Was that made clear?
MR. GIUFFRA: Yes.
MR. BEN-VENISTE: So any Clinton campaign. Was that the campaign for Governor or for any office?
MR. GIUFFRA: I'd have to go back to the record. I'm not going to be cross examined. The record will speak for itself.
MR. BEN-VENISTE: I'd like to know what the nature of the ruling sought was?
MR. GIUFFRA: We'll have the Court Reporter go back to that section and you can read it.
MR. COLE: I think what Mr. Ben-Veniste is asking is a different question. Since you didn't take the Court Reporter with you when you consulted with the Chairman, and I wasn't with you when you consulted with the Chairman.
I understood his question to be, and he certainly doesn't need me to interpret it for him, what the ruling was from the Chairman, which won't be in the Court Reporter's record.
MR. GIUFFRA: Communications between Betsey Wright, Branscomb and Hill regarding

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fundraising activities of Governor Clinton's campaigns prior to 1990.
MR. BEN-VENISTE: So any gubernatorial campaign prior to 1990?
MR. GIUFFRA: Correct.
MR. BEN-VENISTE: Is the subject of this ruling the first gubernatorial campaign was what year? 1980?
MR. COLE: '78.
THE WITNESS: Attorney General was '76. Governor '78. I didn't manage any until '82.
MR. BEN-VENISTE: So you're asking about '78 forward to 1980, a 12-year period into 1990, a 12-year period? Is that correct?
MR. GIUFFRA: The ruling speaks for itself.
MR. BEN-VENISTE: You don't have to be embarrassed to say if that's correct. I'd just like to get a clarification.
MR. GIUFFRA: Let's go off the record.
(Discussion off the record.)
BY MR. GIUFFRA:

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Q What is the role of the State Highway Commission as far as you know?
A To supervise the construction and maintenance of state highways.
Q In terms of appointments, is the State Highway Commission one of the more sought after appointments?
A Yes.
Q Why was that?
A Because it was a very powerful board. It was constitutionally autonomous. If you were doing a chart of executive, legislative, and judicial, the State Highway Department and the Game and Fish Commission, the State Highway Commission and the Game and Fish Commission would be equal to the Governor on that chart.
MR. BEN-VENISTE: Let me ask a question.
Do you intend to go into the State Highway Commission appointments and the Fish and Game Commission?
MR. GIUFFRA: Mr. Ben-Veniste, you just arrived five minutes ago. I'm trying to conduct a

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deposition. I'm asking some basic background questions of a person who was the Chief of Staff of the Governor of the State of Arkansas during the 1980s about the Arkansas State Highway Commission.
MR. BEN-VENISTE: I simply asked you whether it's your intention to get into the State Highway Commission appointments or the Fish and Game appointments or any agency that is not include in our Resolution here.
And this witness has been here for a day and a half now I understand, and my question has to do with the scope of your intentions.
MR. GIUFFRA: My intentions are to ask her some basic preliminary questions about the powers and authorities of the State Highway Commission, and the desirability of such appointments.
MR. BEN-VENISTE: On what theory relating to the scope of our Resolution? It may be very interesting to you and historically I'm sure it would provide something interesting to people who are studying this Commission.
MR. GIUFFRA: I don't want to waste time

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since I know Mr. Cohen has to leave. Such questions are relevant to Section 1(b)(3)(g) of the Resolution which relates to the Perry County Bank, as I'm sure you're aware from reading the indictment of Messrs. Branscomb and Hill. There are allegations of possible quid pro quos involving campaign contributions and the appointment of Mr. Branscomb to that board.

MR. BEN-VENISTE: That's not what the Resolution says with respect to the Perry County Bank.

MR. GIUFFRA: It sounds like you and I may have a point of difference on that.

MR. BEN-VENISTE: It talks about the lending activities of the Perry County Bank in Perryville, Arkansas, in connection with the 1990 Arkansas gubernatorial election.

Are we talking about the lending activities of the Perry County Bank?

MR. GIUFFRA: Mr. Ben-Veniste, it's important that you read the preamble to the Resolution which states that the Committee is to

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conduct an investigation, a public hearing into, and study of all matters that have any tendency to reveal the full facts about -- and it goes into the Perry County Bank.

You may not like the fact that the preamble is in the Resolution, but that was approved by the Senate by a vote of 96 to 3.

We ought to just get the deposition over with because we're spending more time debating here, and I'm sure Mr. Cole is quite competent to defend the deposition.

MR. COLE: Thank you, Mr. Giuffra.

MR. GIUFFRA: If you want to come in and provide your two cents, you're free to do so.

MR. BEN-VENISTE: Thank you. I'm going to do so, since you indicated that I'm free to do so.

That is that you're misreading the scope of this Resolution. If you're going to delve into these other agencies now, and go off on continued fishing expeditions, that is contrary to the import of Senate Resolution 120, and certainly at this stage of the game, with this witness having been here a day

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and a half is most inappropriate.
My suggestion is you get another ruling if you intend to go into this area.
MR. GIUFFRA: I don't think it's necessary to get a ruling from the Chairman with regard to basic background questions on the Arkansas State Highway Commission.
MR. BEN-VENISTE: Then look it up. Get an encyclopedia and educate yourself if they're so basic.
MR. COHEN: What are your other questions, if any, in this area?
MR. GIUFFRA: Before I was interrupted, I was almost at the end of the line of questions that I had for Ms. Wright about the State Highway Commission.
So if we could just get these questions out.
Why don't you read the last question and answer back before Mr. Ben-Veniste objected?
MR. COHEN: I can tell you what it was.
You just asked her how the Highway

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Department, where it stood in the great scheme, and she told you about the Fish and Game Commission.
MR. GIUFFRA: The question previous to that. I can keep this on the record.
Why were appointments to the State Highway Commission sought after?
MR. COHEN: She answered.
MR. GIUFFRA: She was attempting to answer that question. I don't think she's fully --
MR. COHEN: Did you finish your answer on that as to the autonomy of it?
BY MR. GIUFFRA:
Q Did the State Highway Commission have a certain authority with regard to the approval of certain contracts?
MR. COHEN: I'll let her answer that, but that's her last background question.
Go ahead, Ms. Wright.
THE WITNESS: Yes. And the other reason of course that it was sought after is that it was a ten-year term.
BY MR. GIUFFRA:

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Q Was it also sought after because the State Highway Commission had the authority to approve certain contracts?

MR. BEN-VENISTE: She just answered you, yes.

MR. GIUFFRA: It was ambiguous.

MR. BEN-VENISTE: Yes, it was ambiguous?

THE WITNESS: Yes.

BY MR. GIUFFRA:

Q What kind of authority did the State Highway Commission have with regard to the approval of contracts? What contracts did they approve?

MR. BEN-VENISTE: I'm going to object to this. It's completely outside the scope of this Resolution.

MR. GIUFFRA: Let's stop wasting time.

MR. COHEN: It doesn't matter because she's already told you that it's involved in the construction and maintenance of highways, so let's keep going.

BY MR. GIUFFRA:

Q Is that correct, Ms. Wright? Those are

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the kind of contracts approved by the State Highway Commission?

A Yes.

(Pause.)

MR. GIUFFRA: Just so the record is clear, it's important that Mr. Ben-Veniste's statements with regard to the scope of the Resolution and the Chairman's ruling is not any sort of a ruling with regard to any communications that Ms. Wright had with anyone about campaign fundraising activities of Governor Clinton during the 1980s, but only with regard to communications that Ms. Wright had with Messrs. Branscomb and Hill, two individuals who have been indicted recently by the Independent Counsel.

MR. COHEN: We all agree they were indicted last week long after this Resolution was enacted.

MR. BEN-VENISTE: It's the recent indictment exception to the terms of the Resolution, I presume?

MR. GIUFFRA: I think it falls squarely within the terms of the Resolution but that's another

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issue.
(Pause.)
(Recess.)
BY MR. GIUFFRA:
Q Did Mr. McDougal ever contact you about the proposal that he had to issue preferred stock, of Madison to issue preferred stock?
A No.
Q Did Ms. Bassett Schaffer ever discuss with you, Mr. McDougal's proposal to issue preferred stock?
A No.
Q Did Governor Clinton ever discuss with you the proposal to issue preferred stock?
A No.
(Pause.)
Q This is document DKSN11294, a letter from Mrs. Clinton to Jim McDougal.
(Handing document to witness.)
BY MR. GIUFFRA:
Q Do you recall ever seeing this letter?
MR. COHEN: We went over this letter last

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time.
BY MR. GIUFFRA:
Q Just to be sure, do you recall seeing this?
A Yes.
Q Is it your handwriting?
A No. It came from the mail room to me. I gave it to the Governor, and he said to put it in his personal file.
Q Thank you.
MR. COHEN: That's precisely what she said last time.
BY MR. GIUFFRA:
Q Do you know a man by the name of Norton Gaines?
A Gaines Norton.
Q Gaines Norton, yes.
A I don't know him. Oh, I do too.
Q Who is he?
A He's a CPA.
Q He works for Frost & Company?
A Yes.

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Q Is he also the Clinton's accountant?
A I think he was early on, yes.
Q Do you know when he ceased being the Clinton's accountant?
A I don't.
Q Do you know anything about the circumstances in which he ceased being the Clinton's accountant?
A I don't.
(Pause.)
Q Do you know a man named Michael Drake?
A Yes.
Q Who is Michael Drake?
A He used to work for Dan Lasater and he married the owner of Pinky Punky.
Q Between 1982 and 1986, did you have any communication with Mr. Drake?
A Between '82 and '86, yes.
Q What was the nature of the communications you would have had with Mr. Drake between '82 and '86?
A Whatever was on their mind at any given

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time.
Q What was your understanding of Mr. Drake's responsibilities for the Lasater Company?
A I don't think I have ever cared enough to ask. I just know he was an official with the company.
Q Do you recall anything more specifically about the communications you would have had with Mr. Drake between '82 and '86?
A I can remember him sitting in my office a couple of times. I can't remember what we were talking about.
Q Did he ever discuss with you bond underwriting contracts?
A In general I'm sure he did, yes.
Q Why are you sure that Mr. Drake would have discussed bond underwriting contracts with you?
A Well, as I said in my previous period of depositions, Lasater & Company never felt like they were getting enough business.
Q So it would be your best recollection --
A So he would probably come in and tell me

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where they were being wronged or something, and I would listen, and I would make sure the process and procedure were good and strong, and people felt open and included.

Q What would you do to make sure that the process was good and fair and strong?

A It depends on what the issue was. As I believe we discussed -- wait a minute. Maybe that was with Mr. Yost.

MR. COHEN: No, we went open and inclusive, I don't know. Does your deposition index --

THE WITNESS: Actually it was Mr. Yost who told us about another memo, a letter from Dan Lasater to the Governor.

MR. GIUFFRA: Why don't we stop the deposition for a while. It's quite rude to be examining somebody and have a kibitzing conference going on between opposing counsel.

MR. COLE: We didn't mean to interfere.

MR. GIUFFRA: It's hard for me to pay attention to the questions.

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MR. COHEN: In the last session, page 28 of my notes, Ms. Wright told you open inclusive and competitive process, all in the context of Lasater and his complaints.

MR. GIUFFRA: In the last deposition we had very limited questions on Lasater.

THE WITNESS: That's correct.

What I am recalling is from my conversations where Mr. Yost is telling me about a letter from Dan Lasater to the Governor asking for certain kinds of open notice and procedures.

BY MR. GIUFFRA:

Q This is Peter Yost of AP?

A Correct.

Q Do you have any independent recollection, other than your conversation with Mr. Yost?

A I don't, no.

Q And do you recall making phone calls to ADFA employees or to ADFA to see to it that the bidding process was open?

A No.

Q You just testified that you did certain

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things to make sure that the bidding process was an open one, so what steps do you believe you took?
A Working with the appropriate member of the staff, who was the liaison to ADFA.
Q Who would that have been?
A Or there were times when I had conversations with Wooten, even before ADFA, when we came in in '83, about the process was going to be, actually I think somebody preceded Wooten, but that the process would be open and inclusive, and not with preference to any firm.
Q Do you recall a specific conversation with Mr. Epps about that subject?
A Yes.
Q What more, if anything, do you recall about the conversation with Mr. Epps?
A That's all.
Q And as far as you know, the fact that someone had been a political contributor to the Governor was never taken into account with regard to ADFA bond underwriting?
A I know it wasn't.

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Q Why do you know it wasn't?
A Well, first of all, almost all investment bank companies were political contributors, and those who were contributors to Bill Clinton's opponents also got ADFA business. That's how I know.
Investment bank companies made political contributions. Dan Lasater was hardly the only one that gave money to Bill Clinton.
Q Do you know a man named Tom Carter?
A I don't think so.
Q Joe Morfoglio?
A Don't think so.
Q Dan Moody?
A I don't think so.
Q You know Patsy Thomasson, correct?
A Yes.
Q Did you have any communications with Ms. Thomasson between 1982 and '86?
A Sure.
Q Do you recall what the substance of those conversations might have been?
A Highway Commission business generally, or

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when I was on leave to the campaign.
Q Was she involved in the fundraising activities for the campaign?
A Not too much.
(Discussion off the record.)
(Pause.)
BY MR. GIUFFRA:
Q Ms. Wright, are you familiar with a bond underwriting that was undertaken in 1985 to provide capital for the purchase of a new police radio system for the State of Arkansas?
A I am.
Q What do you know about --
MR. COHEN: Could you tell me where that fits into the Senate Resolution, please?
MR. COLE: I'll tell you, to expedite things, that while it's not specifically referenced in the Resolution, it was a bond underwriting that was handled in part by Lasater & Company, and after extended discussion in which the majority indicated that their intent was to include that particular underwriting, the minority has not been objecting to

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questions about the involvement of Lasater & Company in that underwriting.
But I don't mean at all to tie you to that interpretation of the Resolution.
MR. GIUFFRA: In fact, just for your own information, at the time that Senate Resolution 120 was passed, the Chairman, in describing the scope of the Resolution, expressly made reference to this police radio underwriting. In fact, it was the only specific bond underwriting that was referenced.
MR. COLE: And in the spirit of cooperation, the minority lawyers will not be objecting to this question.
MR. GIUFFRA: What's the last question?
BY MR. GIUFFRA:
Q What do you know about the bond underwriting contracts for the State Police radio system?
A This is a question parallel to someone saying tell me about your life. I know that when a state trooper was killed by I believe it was Mr. Snell, and he was in one of those rural areas of

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Arkansas that was out of the spectrum caught by the state police radio system, that the colonel of the state police and the Governor decided that we had to do what it took to get an up-to-date communications system, so there were no more blind spots that troopers were caught where they couldn't summon help or even communicate.

We then proceeded to explore an awful lot of avenues of funding. We brought the Director of the Department of Finance and Administration into that exploration with the State Police Director Staff and Commission and our staff was involved, and we turned to legislators for ideas.

Q Was there any discussion of having this bond underwriting done through the ADFA?

A There was at one point.

Once we decided to do the bond underwriting, that that was the best way to go for financing. We looked at an awful lot of ways.

I do think, it seems to me, that there was some notion that it could be done through ADFA, but as I recall, the ADFA legislation was a little

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delayed in getting passed, so we went ahead with the legislation authorizing the State Police Commission to issue bonds. And I do not trust my memory on the details of that.

But as I recall, there was just a separation of the legislative authority on the bond issuance.

Q Do you recall any discussion with anyone with regard to whether Lasater & Company would participate in the underwriting of these bonds?

A Well, I was, back to my story I was telling, when we made this decision to do it with bonds, I was very much aware that the State Police weren't accustomed to issuing bonds. I put together advisory groups including lawyers and bond lawyers, and got them to include the State Purchasing Director, who had been one of Mr. White's appointees, in all of their deliberations to make sure that they had the basics down.

I worked very hard that there would be an open process. When we were approached by anybody who was bidding, we were told that we would not be

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involved in the selection of the firm.
I was aware that Lasater was in one of the groups that was bidding on it or making a presentation.
Q How did you come to be aware of the fact that Lasater & Company was bidding?
A It was very publicly known. I'm sure they notified us. It was in the newspapers, all these State Police Commission meetings were open, and there were quite a number of bidders presenters.
Q Did you speak with anyone from Lasater & Company with regard to the police radio network bond offering?
A I don't think so.
Q You didn't speak to Ms. Thomasson about it?
A No.
Q Mr. Drake?
A Now we might have spoken to them in the process of writing the legislation, but not once it was reality. I mean most of the bond houses we were keeping up on this legislation.

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I mean, I have to say to you very emphatically this was an open, clean, above-board deal in which the Governor's office had no involvement in the selection of the investment bank firm.
Q How do you know the Governor's office was not involved in the selection of the investment bank firm?
A Because I oversaw this one, and the State Police Commission chose the firm.
Q Did they advise you in advance of who the underwriters would be?
A They did not, because they had to take a vote.
Q So you learned?
A In an open meeting.
Q You learned of who the bond underwriters would be at the same time that it was voted upon?
A No. I was told all along what it looked like was shaping up and street talk, and my concern about when it began to look like the majority of the commission might support the Hutton-Lasater-Raney

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package, expressed my concern to the Commissioners several times, to be certain that Hutton's legal problems would not have a bad effect on this bond deal. I was quite concerned about the Hutton problems.

Q These would be Hutton's problems that they were having in connection with what?

A I don't remember exactly what it was. It had been very well publicized that they had been sanctioned in some way.

Q Were you aware, at the time in which the underwriting business was given to Mr. Lasater's firm, that Mr. Lasater used cocaine?

MR. COLE: Before you answer that question, Ms. Wright, I just want to note the standard objection that it's already been argued, the line of questioning regarding Mr. Lasater's cocaine use of course has been widely reported in the news media, but it's not, in the minority's view, an appropriate line of inquiry here.

MR. COHEN: It doesn't matter. I'm going to direct her not to answer it, because if Mr.

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Giuffra looks at his last series of inquiries on this subject, my recollection is we went through, we actually went through a little song and dance on the whole case.

So if we could move to the substance of this.

MR. GIUFFRA: Let's just check.

(Pause.)

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I don't believe that question was asked. In the index of the case, it wasn't asked.

MR. COHEN: Did you look up cocaine? Is cocaine in the index?

MR. GIUFFRA: No.

MR. COHEN: It's ridiculous to be inquiring about this subject.

MR. GIUFFRA: Ms. Wright just testified that she was concerned about E.F. Hutton's legal problems having some impact upon its ability to be a bondwriter. And I just was asking if she knew about Mr. Lasater's cocaine problems disqualifying him from being a bondwriter.

MR. COLE: I don't want to debate this on the record. As a former securities lawyer, the fact that a firm has been sanctioned as a firm, and the fact that an individual associated with the firm may have several criminal problems are very different legal matters.

I can't let a statement like that just stand on the record. But go ahead and answer the question.

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MR. GIUFFRA: I'm aware of the "bad boy" provision in securities law.

MR. COHEN: As well you should be.

THE WITNESS: I was aware of rumors about a very wild lifestyle of Mr. Lasater. We did from time to time ask the state police director to ascertain whether there were investigations of any of these rumors going on by any of the various jurisdictions of law enforcement. There were not.

BY MR. GIUFFRA:

Q You were advised that there were no investigations?

A That's correct.

Q Where did you hear these rumors from? Is this street talk?

A Just street talk, yes.

Q Were any of the rumors in connection with Mr. Clinton's brother Roger?

A No. Those were separate rumors.

Q Did there come a time when you learned of a federal investigation of Mr. Lasater?

A Yes. There was very highly publicized

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grand jury information.
Q Did you learn of that investigation at the same time it became public?
A Correct.
Q Now, you're aware that in late '84, Roger Clinton was arrested for drug use, correct?
MR. COHEN: Mr. Giuffra, if you'll look at your index for Roger Clinton, I think you're going to --
MR. GIUFFRA: I'm more than happy to read you the questions. "Roger Clinton worked for Dan Lasater? Answer: Briefly. Do you recall when that was approximately? I don't. Was the governor aware of the fact that Roger worked for Dan Lasater? Oh, yes. Did the governor play a role in getting Roger a job with Dan Lasater, as far as you know? I don't know."
MR. COHEN: Now your question is, did she know that Roger --
MR. GIUFFRA: Roger was arrested in late 1984?
MR. COHEN: Your question is, did she know

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that?
MR. GIUFFRA: Yes.
MR. COHEN: Did you know that fact at that time?
THE WITNESS: Yes. I mean, I don't remember the date he was arrested, but I was certainly aware of it.
BY MR. GIUFFRA:
Q Were you aware of the fact that Roger Clinton used drugs with Mr. Lasater?
A I was not.
Q Did there come a time when you learned that Mr. Roger Clinton used drugs with Dan Lasater?
MR. COHEN: What's the relevance of that one?
MR. GIUFFRA: Same line of stuff; knowledge with regard to Lasater's drug use. We've asked these in other depositions.
MR. COLE: Over the objections of the minority, which stand here. This is a completely inappropriate line of inquiry, but it's easier to go through it than to get a ruling from the Chairman.

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MR. COHEN: Go ahead.
THE WITNESS: I don't know that I ever focused on their using.
BY MR. GIUFFRA:
Q Did there come a time when you learned that Roger Clinton and Mr. Lasater used illegal drugs together?
A I don't know that I ever learned that.
Q Did you ever discuss with the governor Mr. Lasater's use of illegal drugs?
A I discussed rumors with him.
Q Do you recall when you discussed rumors with Governor Clinton?
A Just from time to time, and from time to time we made certain that he was not under investigation.
Q Was this in connection with fundraising activities that Mr. Lasater was conducting for Governor Clinton?
A No. It probably involved being in the final list for the state police radio bond, or housing bonds, or state business.

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Q The fact whether Mr. Lasater was under investigation for something involving illegal drugs would have been a concern of yourself and the governor with regard to whether Mr. Lasater's firm should receive a bond underwriting contract from the State of Arkansas?
A As I explained to you in my previous deposition, there were incredibly scurrilous rumors out on the streets about investment bankers all the time. It is, as you know, a delicate line to walk about being fair and not judging people on scurrilous rumors spread about them, versus also knowing whether there's any reality to it.
We did what we could to determine whether there was reality and maintain fairness.
Q This was in connection with the bond underwriting contracts?
A That or whatever else.
Q That's your best recollection, probably, in connection with the police bond underwriting?
MR. COHEN: That's not been her testimony, Mr. Giuffra.

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MR. GIUFFRA: She's been a little bit vague.
MR. COHEN: She has not been able to tie it to any particular bond offering.
THE WITNESS: I don't remember specifically. It probably was tied to specific kinds of a crescendo of rumors, though I do vaguely think that I suggested to Colonel Goodwin, when it appeared that the Hutton Lasater Raney group was in the finalists for the state police bond deal, that he make another check.
BY MR. GIUFFRA:
Q Do you know whether Colonel Goodwin made such a check?
A I seem to remember --
Q -- that he did make a check?
A Yes. If I asked him to, he did.
Q He probably would have reported back to you?
A Oh, absolutely.
Q Do you know whether Governor Clinton would have discussed Mr. Lasater's drug use with Colonel

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Goodwin?
A He could only have discussed rumors.
Q Do you recall him discussing these rumors with Colonel Goodwin?
A I don't recall specifically. But it wouldn't surprise me.
Q Do you know whether the governor attended any meetings with Colonel Goodwin with regard to the police radio bond offering?
A I don't believe so.
Q So the meetings would have been attended by yourself. Anyone else from the governor's, correct? You attended meetings with Colonel Goodwin about the police radio bond offering?
A Well, I brought in the chairman of the commission, the director, and then people from DF&A, outside lawyers, and we had meetings about them. Then we asked that they maintain the state purchasing director as an advisor all the way through the process, which they did. And I assume you have read all of the minutes of the meetings.
Q Do you know whether Mr. Drake met with Sam

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Bratton in connection with the police radio bond underwriting contract?

A I don't think he would have before they were selected. After they had been selected by the Commission, they were part of the team from the state police that we were then trying to get the legislative approval on, and we were very much involved in that. And the governor's office has a member on the legislative telecommunications study commission, and Sam generally filled that slot and had to sign off on the proposal.

And I had conversations with Mr. Drake at that point, after they had selected. We were not involved in their selection. Once they were selected, we were involved in trying to get the legislature to sign off on the team so that we could get the system going.

(Pause.)

MR. COHEN: Time, Mr. Giuffra?

MR. GIUFFRA: We're getting there.

MR. COHEN: You promised. It's part of our deal.

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BY MR. GIUFFRA:

Q You were aware, prior to the decision by the state police commission that the E.F. Hutton-Raney-Lasater group was among the finalists, right, to be the bond underwriters?

A Yes.

Q Were you aware that they were the leading candidate?

A Yes.

Q And they were the leading candidate?

A Everybody felt compelled to tell me stuff whether I wanted to know or not.

Q Were they the leading candidate from the beginning of the process to the end of the process?

A No, I don't believe so at all.

Q Do you know who the leading candidate would have been at the beginning of the process?

A It was an open process. I don't think there was.

Q Do you know why they were the leading candidate?

A Because of the proposal they put together.

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Q Do you know what specifically about that proposal?
A I don't recall. At the time, I did.
Q Do you know how the Hutton-Lasater-Raney underwriting team was put together?
A I don't.
Q Do you know why Lasater was put on the team?
A I don't.
Q Have you heard -- do you have any understanding that Lasater was put on the team because of Mr. Lasater's relationship with the governor's brother?
A I have no idea.
Q Has anyone ever indicated to you that Lasater was put on the team because of Lasater's relationship with Governor Clinton?
A I saw a newspaper clip to that effect.
Q Any other information?
A And all of that.
Q You never discussed it with Drake, for example?

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A No.
Q You never discussed it with Governor Clinton?
A No.
Q The fact that Lasater was put on the team because of his relationship with the governor?
A I think all the firms that bid had a relationship with the governor.
MR. GIUFFRA: Now might be a good time just to take a five-minute break.
(Recess.)
BY MR. GIUFFRA:
Q Do you know someone by the name of Johnny Mitchum?
A Yes.
Q Who is Johnny Mitchum?
A He was a member of the state police commission at the time, I believe appointed by Governor White.
Q Do you know somebody named John Myers?
A I don't think so.
Q An actuary who was hired to underwrite --

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A Do an independent analysis, one of the commissioners hired -- maybe Rockefeller, maybe Mitchum.
Q Do you recall who paid the independent actuary?
A I think one of those people did personally.
Q Do you remember whether Lasater paid for the independent auditor?
A I have no idea. I mean, if Rockefeller hired him, then I'm sure Rockefeller paid for it.
(Pause.)
I think I remember. There was a 4-2 vote on the commission, and the two votes against it were our appointees, and maybe one of the votes for it was our appointee. I can't remember. Most of them were Republicans, as I recall.
Q Was the governor involved in the selection process for the underwriters for the state police radio contract?
A He was not.
MR. COHEN: Asked and answered a couple of

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times.
MR. GIUFFRA: Just want to make sure.
BY MR. GIUFFRA:
Q But he was involved in discussions about the underwriting itself.
Did you have any communication with the governor about the underwriting for the state police radio?
A You mean when we made the decision that was the most feasible way of financing?
Q Yes.
A Oh, yes. We kept him informed of those. We never would have made such a big step as that without his agreement.
Q Do you recall ever discussing Lasater with the governor in connection with the state police radio contract?
A I think I kept him informed of what we were being told. I mean, we were aware -- I mean, he was aware I was very involved in getting a good process going. He was then aware that we had hands off of the process until a selection was made, and

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then he was very aware of our involvement in getting the legislation approval.
Q Was he aware of Lasater's bid?
A I'm certain he was. It was all in the newspapers.
Q Do you know whether he had any communication with Lasater about Lasater's bid?
A I doubt it.
Q Why do you doubt it?
A I don't actually know. I don't think so.
Q Did Mike Gaines work in the governor's office?
A Correct.
Q His position was?
A He was our liaison with criminal justice entities, including the state police.
Q And he had a role with regard to the state police radio contract, right?
A Not really.
Q Is there a man named Knox who was involved in the state police radio contract?
A Senator Knox Nelson was the chairman of

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the telecommunications study committee.
MR. COHEN: May I make a suggestion? Pass the documents over across the table. It's not a memory test. It's your deposition.
THE WITNESS: This is what he just read to me.
MR. COHEN: If, in my judgment, the Senate staff -- no one in this room, understand -- had not leaked the documents to the press, and we'd not already been questioned and had the documents read to us, perhaps this line of inquiry or method of inquiry would make sense. Where you to ask questions based on what's in the documents, have her answer to the best of her recollection or lack thereof, and then show her the documents, which may or may not refresh, so she gets to go over it again.
MR. GIUFFRA: I don't know what documents she's been shown.
BY MR. GIUFFRA:
Q Were you shown documents by the AP reporter?
A He didn't have them.

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MR. COHEN: He didn't have them. Bossie just let him read them.
MR. GIUFFRA: Well, we don't know what Bossie did.
MR. COHEN: Whoever gave him access to the documents that either Kendall or we produced to the United States Senate in confidence were read to him.
MR. GIUFFRA: Well, let's just go on. And I don't know what was read to him.
MR. COHEN: We do, because he told us.
THE WITNESS: This is the memo from Mike Gaines telling us who the commission --
MR. GIUFFRA: Let's look at DKSN 27162, okay?
(Document handed to witness.)
BY MR. GIUFFRA:
Q Do you recall seeing this memo? It's directed from Mike Gaines to you and the governor, dated May 1, 1985.
A Uh-huh.
Q You do recall seeing that at the time?
A Yes.

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Q Why do you think you recall seeing it at the time?
A I mean, it was just one more time we kept being told things whether we wanted to know them or not. This was a big deal to these people in the state police, and they kept wanting to share what was going on.
So, you know, I remember my first reaction was Colonel Goodwin telling Mike how it looked like it was lining up.
Q Let's look at the bottom of the letter.
A And Mike then passed it on.
Q Is that your handwriting at the bottom?
A Yeah. I then went in --
Q Why don't you read what your handwriting says?
A "Gov -- we have real problems here, since street talk is that Lasater put in unreasonably low bid, knowing he can raise it once he gets it. I hope ASP had experts review everything. Also, how does this gibe with..." -- and I can't read that.
Q And you don't know what this stuff is on

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the other side?
A No.
Q You've never seen the other side of the document, right?
A Well, I wrote it, so I've obviously seen it.
Q But you haven't seen it since?
A No.
Q Mr. Kendall hasn't shown you this document?
A After Yost called --
MR. COHEN: I may have obtained and showed her this document.
THE WITNESS: But it didn't have it either.
BY MR. GIUFFRA:
Q I just want to know whether you have the side that's marked down?
A No.
Q What do you recall about street talk about Mr. Lasater putting out an unreasonably low bid?
A Well, I mean, whenever these things were

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tightening up between bond houses, they were always putting out crap about each other. And this particular crap was that he was assuming he could increase the cost of it, and he just put in a low bid.
Now, the facts show different from that, and I just raised it with Bill and said that I hoped the experts reviewed it carefully. Now, do you want me to read this to you, what he said? Are we there yet?
Q Let's go through your note.
Who was the street talk from?
A I have no idea.
Q And you don't recall anything more about Lasater's low bid?
A It wasn't a low bid, as I recall.
Q Why do you believe it wasn't a low bid?
A Because it wasn't based on just price. There was a package. As I recall, I don't remember the specific components of all the proposals.
Q What do you recall about this notion of him being able to raise it once he gets it?

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A That that was false. I mean, it couldn't happen. But that was what was being said about him. I don't know if he thought that.

Q Why don't you read the governor's handwriting for me?

A "Lasater should be told it must be price. To Knox's letter..." -- I can't read. "Knox's letter..." -- blank, blank -- "...info he develops. Stop. This equipment for cheaper equipment, but Goodwin should brief him on what he intends to do."

It just indicates that about the same time, we had a letter from Senator Nelson, I gather, having to do with some cheaper equipment from that which had been selected by the state police commission.

Q Do you know why Mr. Gaines would have written this memo to the governor?

A Just to pass on.

MR. COHEN: Did Mr. Gaines tell you why he wrote this to the governor?

THE WITNESS: All staff were supposed to keep me informed about everything.

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MR. COHEN: Did he tell you?

THE WITNESS: No. He was reporting to me about a communication from the state police director.

BY MR. GIUFFRA:

Q Would he normally report on the fact that a particular bond firm was going to get --

A No. That's the point, Mr. Giuffra. The state police commission did not normally do bonds.

Q Did Mr. Gaines normally -- strike that.

Mr. Gaines would not have been the person doing the reporting. But do you know why in this particular memo, the only reference that's being made is to Mr. Lasater, not the other members of the group?

A I have no idea.

Q Do you know whether the governor asked Mr. Gaines where things stood with regard to the Lasater bid?

A No.

Q You don't know whether the governor ever spoke to Lasater about whether his bid was unreasonably low?

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A The whole way this is written is the director's observations that he passed on to Gaines. We weren't involved, so he was just sharing information.

Q Do you know whether Lasater ever spoke with the governor --

A I don't know.

Q -- about whether the bid was too low?

A No. I went back to the commission with this.

Q You did?

A Yeah.

Q Why did you do it?

A Because I was the one working with the commission on the process.

Q What action did you take?

A Just to make sure that it's been analyzed properly, it's not too low, and the bid is the price. There ain't gonna be no more money.

Q Let me show you another document. This is DKSN 18188.

MR. COLE: Before we go on, I just want to

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make sure I understand what Ms. Wright just testified to.

If I'm understanding you correctly, Ms. Wright, the governor's note on the document indicated something to the effect that Lasater must be told the price is the price, and you went back to the state police commission to make sure that the proposals had been carefully analyzed with that issue in mind.

THE WITNESS: Correct. I generally pass all the rumors about all the bidders back to the state police commission that came to me. That's what I did with them.

(Pause.)

BY MR. GIUFFRA:

Q Is this your handwriting down at the bottom?

A Uh-huh.

Q What does your handwriting say?

A It says, "Hutton will withdraw from the proposal today, 5/7/85."

Q Did that in fact happen?

A No.

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Q Do you recall why you wrote that?
A No, I don't.
Q Did there come a time when there was a dispute as to whether the Lasater proposal was comparable to the proposal put forward by someone called First Capital?
A Yes. They were one of the bidders. And when it went to the telecommunications study committee for review and advice, they decided to hear the losing competitors also.
Q Wasn't First Capital's bid lower than the Lasater bid?
A I don't remember the specifics of the bid. And if you don't have them all, by God, I'll get them for you.
Q You don't recall any discussion? That's my question with regard to whether the First Capital bid was lower than the Lasater group bid?
A Bids like this aren't only on a dollar basis. So no, I don't remember whether it was, number one. Number two, there was a quality effect also involved here.

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Q Do you recall a discussion of this quality difference between First Capital and Lasater?
A Well, at that point, the commission had listened to the presentations and made a selection. It was not the telecommunication study commission's job to select the firm. So we were involved in trying to get them to sign off on the next step so the commission could go forward with getting a system built.
MR. COLE: I'm sorry.
What was the telecommunications study group? The state legislature?
THE WITNESS: It was a crazy amalgam of House and Senate members, and maybe two executive branch members. I'm sure it's an unconstitutional body. But it's established by statute, and the governor's office has a member of that commission. Senator Nelson chaired it.
BY MR. GIUFFRA:
Q Do you recall any discussion of the differences between the two bids?
A We had memos written by the state

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purchasing director. We had all kinds of stuff when they raised the issue to analyze it. At that point, I read all the bids. I remember that.

Q Do you recall ascertaining that the Lasater bid was better?

A Yeah. I mean, I ascertained that the decision made by the commission was very reasonable.

Q What was your basis?

A I don't remember.

Q At no time --

A Have you ever read one of these bids?

MR. COHEN: He probably has. He's probably the only person in the room who has.

MR. COLE: Excuse me.

MR. COHEN: I take it back.

(Laughter.)

BY MR. GIUFFRA:

Q At any time, did anyone from the governor's office indicate that the governor preferred that the Lasater bid be chosen over the First Capital bid?

A No. But the telecommunications commission

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role was not to choose a finance firm. That had been done by the state police commission. So we were in favor of proceeding with the state police commission so we could get the system built. We were not advocating on behalf of Lasater. We were advocating on behalf of the next step in getting this thing built.

MR. COHEN: I take it that's after the selection had been made by the police commission at that time?

THE WITNESS: That's correct.

MR. COHEN: Now you can show her the memo that is about the First Capital objection to the Lasater bid, or whatever, and we can go over this again.

MR. GIUFFRA: DKSN 27225.

(Document handed to witness.)

BY MR. GIUFFRA:

Q This looks like it says 5/17/85. Do you recall seeing this article?

A Oh, yes. I read everything.

Q It says "State Panel Delays Action on New

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System."
A I don't recall that they were supposed to approve the financers. They just had to sign off, advise and consent on every role. I don't think they could stop it, but politically we felt it important to proceed with their consent.
(Pause.)
They threw it to the legislative council, which I think it took them two meetings to decide to.
(Pause.)
Q Do you know whether Michael Drake ever spoke to the governor about the state police radio contract?
A I don't know.
Q Did you ever speak to Michael Drake about the state police radio contract?
A I did after they'd been selected.
MR. COHEN: We went over this several times, counsel. Several times. End question.
BY MR. GIUFFRA:
Q Why don't I show you DKSN 18182?
(Document handed to witness.)

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BY MR. GIUFFRA:
Q This is a memo you wrote to the governor dated 5/13/85. It's re: Knox Nelson state police communications.
Who is Mahlon?
A Mahlon? Mahlon Martin was the director of the Department of Finance and Administration.
Q This is the dispute Senator Knox was having, or Senator Nelson was having?
A Well, he was sort of saying, "Go get the money, borrow money from the state retirement system, and forget the whole process that we've been through on issuing bonds."
I was just informing the governor that I had asked Drake and a commissioner to go visit with Nelson about what it was they were --
Q This memo would indicate the governor knew who Drake was, correct?
A Sure.
Q And he would know that Drake worked for Lasater?
A Sure.

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Q After the contract, after the state police commission voted Lasater, approved the Lasater bid, do you know whether the governor spoke to anyone from Lasater about the bid?
A I don't.
Q Do you know whether he ever spoke to Drake?
A I don't know. I continued to handle --
Q So the only conversation you recall is this conversation with Drake after Lasater got the business?
A I'm sure I talked to him two or three times before we got this thing through the legislative process.
Q Because of the risk that someone would try to do it by another financing vehicle, correct?
A Oh, no. We wouldn't have minded if there were a more feasible financial vehicle. But as I began by telling you, we studied all kinds of ways to finance this thing, and we decided on the bonds. And this was to borrow from the retirement system, and we had used the money from the retirement system, but

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where there was an economic return. This was not an economic development entity. There was no investment to recoup for the retirement system, and I knew that the board of that system would never regard it as a "prudent investment." There was no return to be had on a capital outlay like this.
Q Do you recall anything more about the communications you had with Drake in connection with the actual drafting of the legislation?
A No, I don't. Nothing distinctive from anybody else that was involved in the writing of it.
Q Let me show you memo DKSN 18184.
(Document handed to witness.)
BY MR. GIUFFRA:
Q This is from Mike Gaines to you, dated May 15, '85. Do you recall receiving this memo from Mr. Gaines?
A I don't remember it specifically as a memo from Mike Gaines. I remember being told that there was going to be this contest, and there were these kinds of points, none of which I understood. But, you know, Sam was looking into it.

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(Pause.)
(Document handed to witness.)
BY MR. GIUFFRA:
Q 18182. That's the governor's handwriting where it says "No, someone can reason with him?"
A Uh-huh, talking about Knox.
(Pause.)
Q You don't recall this memo at all?
A No, I do.
Q What do you recall about the memo?
A That this presented the argument of the competitive contest.
Q Did you have any discussions with Sam Bratton about that?
A Yes.
Q What do you recall about those discussions?
A Again, to go into the analysis to make sure that it complied with what the law set forth. My role was not to be expert on the technicalities and the details, but to ask the questions of people who I trusted to make certain that things were in

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compliance.
So that's why I can't remember specific arguments and stuff. I think Mike is wrong about Hutton drafting legislation. Their law firm may have drafted it, but I tend to recall that the same law firm that helped us with the ADFA legislation ended up writing that for us, which was the Mitchell firm. That's what I seem to recall, and I don't know whether they represented Lasater or not.
Q Do you recall whether the police commission originally voted down the bond deal proposal?
A I don't remember that, no.
(Pause.)
Q This is DKSN 17322.
(Document handed to witness.)
BY MR. GIUFFRA:
Q Is this your handwriting?
A No.
Q Do you know whose handwriting it is?
(Pause.)
A I think it's Loretta Lynch's handwriting.

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Q Do you remember the issue of the state police radio contract coming up during the '92 campaign?
A Yes.
Q What do you recall about it coming up during the '92 campaign?
A I remember that I came down like on a Friday and a Saturday night, quite late. The L.A. Times called with some questions about it, and I tried to talk to them about it. They may have -- I don't know. This was not done. This was obviously compiled before I got there by people who really didn't know what they were doing.
Q There's a reference here to "L.D. Brown used to be in governor's security concern. What would he say?"
Was L.D. Brown in some way involved in the state police radio contract?
A No.
Q As far as you know?
A No.
Q Was there some concern about what L.D.

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Brown would say about this state police radio contract?
A Not from me.
Q Or Lasater?
A No.
(Pause.)
You know, I still remember the trooper who got killed, and how close we were to that family. And his brother-in-law was on governor's security. Our whole driving force was to keep that from happening to any more troopers.
And that Richard Wayne Snell, who killed him, is the one that got executed the day of the Oklahoma City bombing, which some people think may have been the reason for that. I mean, our concern was not Dan Lasater or which financing company. It was that we didn't want any troopers being shot.
Q Let me show you a document that bears Bates number DKSN 16144 to 47.
(Document handed to witness.)
BY MR. GIUFFRA:
Q This is a memo from yourself to the

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governor attaching a fact sheet. Do you recall the circumstances? This is dated 10/9/86.

Do you recall the circumstances under which this was prepared?

A Uh-huh.

Q What were the circumstances?

A Well, this was the memo paper I used in campaigns, because it's not the governor's office. This was in October before the November campaign, and Frank White was accusing us of all kinds of nutty stuff about Lasater and ADFA. And Grumman and Barton, the two names referred to, are two political reporters; one with the Arkansas Democrat, the other with the Arkansas Gazette. They had asked for information. This is what I was giving.

Q What were the accusations Mr. White was making with regard to the governor and Lasater?

A Basically that we all wallowed together in some pig hole.

Q Do you recall anything more specific about what the allegations were --

MR. COLE: That's a term of art in

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Arkansas.

BY MR. GIUFFRA:

Q -- that Mr. White made about the governor and Mr. Lasater?

A I mean, it was preposterous stuff.

Q What were the allegations?

A The insinuation was that we were supporting his cocaine habit or something. I don't know. I mean, it was ridiculous. It was guilt by association. He had been a contributor of ours, and of course I also remember that same campaign, it was revealed that Mr. Lasater had been a contributor of Governor White's. And furthermore, after tearing us to pieces in the press about ADFA and Lasater's contracts and stuff -- and this was during the grand jury going on about Lasater across the street from my headquarters.

So we were seeing these witnesses going in and out the side door, and the press was all staked out, and -- I don't know. You want me to shut up.

Q Were there ever any discussions --

A No.

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Q Strike that.
Did you ever do an investigation to ascertain --
MR. COHEN: He's actually trying to get the next question out.
BY MR. GIUFFRA:
Q Did you ever conduct an investigation to try to ascertain, or an inquiry to ascertain, the extent to which the governor had contact with Mr. Lasater between '82 and '86?
A No. Why would I do that?
Q Do you know approximately how much they would have had contact?
MR. COLE: That's been asked several times, I think.
THE WITNESS: No.
BY MR. GIUFFRA:
Q You never did an investigation to look into that? You never asked the governor?
The answer is "no" to the first question?
A Right. The answer is "no."
Q Did you ever ask the governor how much he

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met with Lasater?
A No.
(Pause.)
Q Do you know whether Dan Lasater had a meeting with the governor in which Dan Lasater complained about the fact that he was not receiving sufficient state bond business?
A I do know that.
Q Did you attend the meeting?
A No.
Q How do you know about it?
A Mr. Yost read me the letter about it.
Q Do you know whether the governor attended --
(Pause.)
(Discussion off the record.)
BY MR. GIUFFRA:
Q Do you recall a meeting that the governor and Dan Lasater of E.F. Hutton had at the Legacy Hotel in January '85?
A E.F. Hutton and Lasater put together a seminar on economic development for the future to

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which they invited the governor, and which I believe he attended.

Q Do you know anything more about that seminar?

A No. I mean, it was shortly after -- it was when we were pushing all of our economic development programs. That was our economic development session, and as I told you in our last deposition, they wanted to be perceived by the governor as very supportive and helpful of what he was doing. And a lot of these firms came up with creative ideas.

Q Let me show you a document, DKSN 26471. I'm going as quickly as I can; I apologize.

A I'm going to request that we go to the letter that you didn't show me that Mr. Yost wrote me, with some handwriting on it, from Lasater to the governor.

What do you want?

Q Do you recall seeing this?

(Document handed to witness.)

BY MR. GIUFFRA:

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Q Have you ever seen this before?

A Obviously I have. It's got my handwriting on it.

Q There's handwriting that looks like the governor's handwriting, which is "BW, MS, CG."

A Uh-huh.

Q Then it has some handwriting. What is that?

A "Made to file their recommendations for secretary of AHDA. They want me to meet with them, E.F. Hutton night of 10th. I think I should; 2 hours. Let's discuss."

I wrote back, "This is when Dick Morris is coming." He then said --

Q He proposed a different time?

A Yes.

MR. COHEN: And the question about this document is?

BY MR. GIUFFRA:

Q What is the reference to "need to fill?" What is it, "file their recs for secretary?"

A Their recs for secretary of AHDA.

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Q What do you recall about that? Anything?
A See, I think we had a director before Wooten, whose name was like Linda Trent or something like that. So they were recommending somebody as the executive director of the housing development agency.
Q Do you recall anything more about the recommendations?
A Routine stuff; "file it," he says.
Q You don't recall anything more about the Dan Lasater/E.F. Hutton meeting?
A No. It was just a presentation about their economic development ideas for the state. There were other people there. I mean, it wasn't just for the governor, I don't think. I think they had legislators there.
Q Do you recall any discussion during the '92 campaign of whether -- strike that.
Do you know whether the governor ever attended one of Mr. Lasater's Derby Day parties?
A Oh, yeah.
Q More than one?
A Probably.

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Q Were these big events?
A Huge. I went one time, and it was so crowded I never wanted to go again; thousands of people.
Q Was there an issue during the '92 campaign of whether there was drug use at one of these Derby Day parties?
MR. COHEN: What's the relevance of that?
MR. COLE: I'm going to object to that.
MR. COHEN: I'll direct her not to answer.
MR. COLE: It's outside the scope of the resolution.
MR. COHEN: The hour is late. We agreed to two hours. We're now at four and a half.
BY MR. GIUFFRA:
Q I'll show her the document: DKSN 19664. It says "George Locke, Collins, Locke and Lasater. Bill Rempel."
Who's Bill Rempel?
A He was an L.A. Times reporter.
Q "Re: drugs at annual Derby Day party." Is this just a press inquiry. Is this your handwriting?

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A No.
Q Loretta's?
A I think so.
Q There's a discussion further on. "FBI 201 file, an investigative file. Some U.S. attorneys will give it out easily."
Do you remember that issue coming up?
MR. COHEN: I have the same objection and same direction. It has nothing to do with this resolution.
MR. COLE: I'd also ask, Ms. Wright, that you not speculate unless you know exactly what's in the mind of Ms. Lynch or whoever drafted this. I don't think it's appropriate for you to speculate.
THE WITNESS: The only comment I have to make is that these were the kinds of notes done before I came to the campaign. They were done by people who weren't from Arkansas, didn't know who they were asking about what, and they were inaccurate and not used.
I don't even know where they surfaced. In order to reply to the subpoena, they were irrelevant.

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(Pause.)
BY MR. GIUFFRA:
Q Do you recall an issue arising with regard to whether the Rose Law Firm served as underwriter counsel for ADFA bond issues?
MR. COLE: Can you help me with the time frame there? Are you talking about during the campaign?
MR. GIUFFRA: During the 1980s.
THE WITNESS: Well, again, in the '86 campaign, Governor White made a huge issue out of the Rose Law Firm.
BY MR. GIUFFRA:
Q Let me show you a document that bears Bates number CCBW 632 to 636. It's a memo from Bob Nash to you, re: underwriter's counsel.
Do you know when this would have been prepared?
A This was prepared during the '92 campaign.
Q Did Mr. Nash prepare this at your direction?
A Yes, at my request. He didn't work for me

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at that point.
(Pause.)
Q Do you know whether ADFA ever entered into a lease with Madison Guaranty for some office space?
A Oh, yes.
Q What do you know about that lease?
MR. COLE: Didn't we have testimony about this?
THE WITNESS: We talked about this in my last deposition.
MR. COLE: Issues of objections as to whether they were racist or not.
MR. COHEN: That's right. It was all about the reason for it, and whether the reason for their objection was racially motivated. They didn't want to be in the inner city.
MR. GIUFFRA: Let me just look. I apologize if I've done so.
(Pause.)
BY MR. GIUFFRA:
Q Let me just show you one document, CCBW 836.

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(Document handed to witness.)
BY MR. GIUFFRA:
Q Do you know when this would have been prepared?
MR. COLE: The question is, do you know when it was prepared?
MR. GIUFFRA: Yes.
THE WITNESS: That's another --
BY MR. GIUFFRA:
Q -- '92 campaign?
A Uh-huh. Is that our Bates number?
(Pause.)
Q During the '92 campaign, did you maintain copies of any documents relating to the ADFA bond offerings?
A Well, yes. I pretty much pulled together everything that was in storage, and there were lots of newspaper articles about ADFA bond offerings. And I had most of the year's newspaper clips.
I put together summaries of all ADFA bond offerings. We obviously had good beginning points from the '86 race.

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Q Let me show you something. This bears Bates FBI 3569 to 3590.

(Document handed to witness.)

MR. COLE: For the record, this is an FBI 302 report, I believe, of an interview with Mr. Lasater concerning the investigation of his alleged cocaine use.

It's the very strongly held view of the minority that there's nothing in that 302, with perhaps the exception of some background information on Lasater and Company, that's relevant to this investigation.

MR. GIUFFRA: It's a very simple question, so let me just give the document.

MR. COHEN: I get to look at it first before she answers. I just want to take a peek.

(Pause.)

MR. GIUFFRA: I have one question.

(Document handed to witness.)

BY MR. GIUFFRA:

Q The question is, have you ever seen this document before?

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(Pause.)

A I don't think so.

Q There was no discussion of an FBI interview with Mr. Lasater during the '92 campaign that you recall? Did anyone indicate to you that they had information from the FBI interview about Mr. Lasater during the '92 campaign?

MR. COLE: Mr. Giuffra, what portion of the resolution are you proceeding under now if you're investigating what did or didn't occur during the Clinton '92 presidential campaign?

MR. GIUFFRA: Just answer the question.

MR. COLE: Actually, I'm not so sure.

I think I'm going to instruct you not to answer, unless you can articulate some basis in the resolution.

MR. GIUFFRA: The same one I've been relying on.

MR. COLE: The bond underwriting business of ADFA?

MR. GIUFFRA: Right.

MR. COLE: Don't answer that question, Ms.

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Wright.
You can get a ruling from the Chairman on that, too, if you like.
BY MR. GIUFFRA:
Q You've never seen the document?
A I don't think so.
(Pause.)
MR. GIUFFRA: Let's go off the record for a second.
(Discussion off the record.)
MR. GIUFFRA: The Committee has made a request of certain date books of Ms. Wright for various periods. Counsel has indicated that he's going to look to see what he has. If you have the date books, they'll be provided to the Committee, and we appreciate that.
MR. COHEN: No problem.
BY MR. GIUFFRA:
Q Are you aware of any instances in which Lasater or anyone in his employ ever provided any cash to the governor?
(Pause.)

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MR. COLE: Does that question encompass a campaign contribution that might have been made in cash? It's kind of a vague question.
MR. GIUFFRA: The question stands.
THE WITNESS: I don't think so.
BY MR. GIUFFRA:
Q Do you know whether Lasater or anyone in his employ would have provided any cash to any state trooper to be delivered to the governor? No idea?
A I don't think so, no. I mean, I assume you're basing these questions on something, and I don't know what they are, which is why my hesitation.
MR. COHEN: It sounds like the indictment exception to Resolution 120.
MR. COLE: It may be the American Spectator press article exception to Senate Resolution 120.
MR. COHEN: In any event --
MR. GIUFFRA: I'm just trying to ask the questions, that's all. You would certainly agree, Mr. Cole, had bags of cash been provided to --
MR. COLE: I merely asked a clarifying

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question to see what was encompassed in your question.

MR. COHEN: If we're going to wrap this up, I can actually make the plane.

MR. GIUFFRA: I think I'm done.

MR. COLE: There's a problem here, in that I would ordinarily like the opportunity to ask Ms. Wright some questions on behalf of the minority. I don't think, under the circumstances, after she's been through two full days of depositions, that it's fair to either her or her counsel, particularly since her counsel would like to catch a plane.

But if they would indulge me on the record for one more moment, Mr. Giuffra, I would like to note that if this investigation continues beyond February 29, I think that we're going to have to discuss a different procedure for depositions like this that go on for an extended length of time over a great many subjects in the resolution. Because when the resolution was drafted, it provided for questioning by the majority and then the minority.

I don't think it envisioned this

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situation, where I would essentially be forced to go back and ask Ms. Wright about subjects that she testified about on January 26, which is just not feasible. So I think that's something you and I should discuss for future depositions.

But for this deposition, it leaves me in the unfortunate situation of not really having a meaningful opportunity to question the witness.

MR. GIUFFRA: I would just note for the record that, as you well know, at any point during the course of my examination that you wanted to ask any clarifying questions, I obviously never objected.

MR. COLE: And I've done that. So that's another reason that I am not going to force the witness and her counsel to stay here for me covering areas that you've already covered.

MR. GIUFFRA: I would also note that one and a half days of deposition for the chief of staff of the Governor of Arkansas is hardly an extended period of time.

MR. COLE: No. I just think that forcing the minority to wait till the end of a day and a half

of questions is not feasible. So that's where we are.

I'm not going to ask any questions at this time.

MR. GIUFFRA: Thank you, Ms. Wright and Mr. Cohen, for coming. We appreciate your cooperation.

MR. COHEN: Thank you for having us.

(Whereupon, at 5:35 p.m., the taking of the instant deposition ceased.)

---

BETSEY WRIGHT

CERTIFICATE OF NOTARY PUBLIC & REPORTER 200

I, DAVID L. HOFFMAN, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Notary Public in and for the
District of Columbia

My Commission Expires JUNE 30, 2000

DEPONENT BETSEY WRIGHT (Feb. 27, 1996) 2nd day

ERRATA

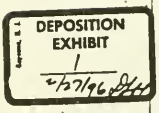
| PAGE | LINE | CHANGE FROM | CHANGE TO | REASON |
|---|---|---|---|---|
| 13 | 15 | "who she attended" | to "who attended" | |
| 21 | 7 | "watch these spin boys" | to "watch C-SPAN, boys" | |
| 21 | 22 | "Q" | to "MR. COHEN" | |
| 35 | 2 | "ask" | to "answer" | |
| 35 | 4 | "on our" | to "or their" | |
| 50 | 8 | "Fulbright" | to "Hernreich" | |
| 66 | 4 | "from this" | to "for this" | |
| 82 | 5,22 | "Bill" | to "Beryl [Anthony]" | |
| 85 | 10 | "Janice as" | to "Janice. As" | |
| 85 | 11 | "department" | to "department," | (comma after department) |
| 87 | 12 | "tennis" | to ??? | tennis is not correct; unclear what word is correct |
| | | | | |
| 91 | 13 | "Governor let" | to "Governor said let" | |
| 29 | 6 | "A" | to "MR. COHEN" | |
| 139 | 11 | "Director Staff" | to "Director, Staff" | (insert comma) |
| 108 | 8 | "make" | to "made" | |
| 140 | 22 | "we were told" | to "they were told" | |
| 141 | 21 | "houses we were" | to "houses were" | |

CONTINUED ON NEXT PAGE

DEPONENT BETSEY WRIGHT (Feb. 27, 1996) 2nd day CONTINUED

ERRATA

| PAGE | LINE | CHANGE FROM | CHANGE TO | REASON |
|---|---|---|---|---|
| 159 | 2 | ""legislation" to "legislature" | | |
| 160 | 12 | "you to ask" to "you ask" | | |
| 168 | 9 | "pace" to "passed" | | |
| 181 | 11 | "Grumman" to "Brummet" | | |
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Betsey Wright

Ms Wright:

The Associated Press is preparing a story about the governor's office and its contacts with Dan Lasater and his firm in the mid-1980s.

The story will refer to a note you sent to Gov. Clinton in May 1985 regarding the bid of the Hutton-Lasater-Raney group for financing the state police communcations system.

Your note states: ``Guv + we have real problem here since `street talk' is that Lasiter put in unreasonably low bid knowing he can raise it once he gets it. I hope ASP bid experts reviewing everything " Clinton wrote a note on the document saying that Lasater should be told his bid must be met.

The story also will refer to a memo you wrote the governor stating the following: ``Word I am picking up ... is that Knox intends to call a special meeting of his telecommunications study committee this week and that he is aiming for not letting a contract at all with investment firms. ... I have alerted Drake and suggested that they get an ASAP commissioner to set an appointment with Sen. Nelson ASAP." You ask the governor whether he has any other suggestions. The response: ``+No+Governor can reason w/ him."

These and other documents I have reviewed outline substantially more involvement between the governor's office and Lasater's office than you and the Clinton campaign acknowledged in 1992 in response to a Los Angeles Times story.

If you wish to discuss this, I can be contacted at 1 202 776 9464.

Pete Yost

Pete Yost
The Associated Press
2021 K SI. N.W.

# DEPOSITION OF PAUL B. YOUNG, JR.
# IN RE: S. RES. 120

**TUESDAY, FEBRUARY 27, 1996**

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER
DEVELOPMENT CORPORATION AND RELATED MATTERS,
*Washington, DC.*

Deposition of PAUL B. YOUNG, JR., called for examination pursuant to notice of deposition, at 1:00 p.m. in Room 534 of the Dirksen Senate Office Building, before PATRICIA A. ZUBER, a Notary Public within and for the District of Columbia, when were present:

MICHAEL P. O'CALLAGHAN, ESQ.
Majority Associate Special Counsel
MITCHELL FEUER, ESQ.
Minority Counsel
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Building
Washington, DC 20510
On behalf of the Committee.

ALAN STRASSER, ESQ.
Kutak Rock
1101 Connecticut Avenue, NW
Washington, DC 20036
On behalf of the Deponent.

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PROCEEDINGS

MR. O'CALLAGHAN: Good afternoon, Mr. Young. My name is Michael O'Callaghan. I'm an associate special counsel with the Special Committee. To my left is Mitchell Feuer who is counsel for Minority on the Banking staff.

This deposition is conducted pursuant to Senate Resolution 120. The Resolution establishes a Special Committee administered by the Banking Committee to conduct an investigation involving Whitewater Development Corporation; Madison Guaranty Savings & Loan Association; Capital Management Services, Incorporated; bond underwriting contracts between Lasater & Company and the Arkansas Development Finance Authority, and other related matters.

This deposition is in advance of public hearings which will likely occur in the last week or two. We're going to ask you a series of questions today, ask you to testify under oath. If you don't understand a question, please let either me or Mr. Feuer know; we'll be happy to rephrase the

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question. If you need a break or you need to consult with counsel, please let us know; we'll be happy to accommodate you with that as well.

The stenographer is preparing a record of questions and answers. The deposition will be treated as committee confidential until the commencement of the hearings. Prior to the hearings, you'll be given an opportunity to review your transcript and also to make any corrections you feel are necessary on an errata sheet.

You may be represented by counsel today. Are you represented by counsel?

THE WITNESS: Yes, I am.

MR. O'CALLAGHAN: Could counsel please state your name and the name of your firm for the record.

MR. STRASSER: I'm Alan Strasser. My firm is Kutack Rock.

MR. O'CALLAGHAN: Objections to the form of questions will be noted for the record. Counsel may object on grounds of privilege or relevance; and the Committee Chairman may rule on objections where the

witness refuses to answer a question.
Could you please swear the witness.
Whereupon,
PAUL B. YOUNG, JR.
was called as a witness and, having first been duly sworn, was examined and testified as follows:
EXAMINATION
BY MR. O'CALLAGHAN:
Q Please state and spell your full name for the record.
A Full name is Paul B. Young, Jr. What else do you want? Full name and what?
Q I've asked you to spell it, but I think it's --
A P-a-u-l; B.; Y-o-u-n-g; Jr., J-r, period.

Q Did you speak with anyone, other than your counsel, prior to this deposition about the deposition?
A I've talked with those in our office that had some acquaintance with the issues.

Q And who did speak with?
A Bob Snider would be one. And he would be the principal one and probably one of the most acquainted with what I think you-all have had me to come talk about.
Q And did you speak with anyone else?
A A couple of other folks in our office, but you know, very general, general terms.
Q Anything about the substance of what you anticipated to testify about?
A No.
Q Outside of your company, did you speak with anybody else?
A Friends and acquaintances who just have an interest in knowing where I am today.
Q Did you speak with anyone by the name of Michael Drake before coming here?
A No, I did not.
Q Anyone else that comes to mind that you spoke to?
A No.
Q Just so you know, you have to articulate

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your answers for the court reporter for the purposes of the record.
A Sure.
Q Did you do anything to prepare for the deposition today?
A I reviewed the information I had in our files that we've maintained related to the Arkansas State Police transaction that occurred in 1995.
Q Where are you currently employed?
A I'm currently employed with T.J. Raney & Sons, which is a division of Morgan Keegan & Company, and I work in Little Rock, Arkansas.
Q What's your business address?
A It is 100 Morgan Keegan drive, Suite 400, Little Rock, Arkansas 72202.
Q What's your current position?
A Senior vice president.
Q How long have you been with the firm?
A I've been with the firm since 1983, so it's almost 13 years. T.J. Raney & Sons was a separate company before it became part of Morgan Keegan in 1989, so my service actually involves service with

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T.J. Raney & Sons before it became part of Morgan and Keegan, but in the same group doing almost the same thing for almost 13 years.
Q Okay. Did you graduate from college?
A I did.
Q Where did you go to school?
A I graduated from Hendricks College in Conaway, Arkansas in 1971. Are you interested in other education?
Q Yes, sir.
A I graduated from the University of Arkansas law school in 1975, in Fayetteville. And that would be the extent of my education.
Q What did you do before you went to work for T.J. Raney in 1983?
A I was practicing as a CPA. I was with the firm Peat Marwick Mitchell. At the time that was the name of the firm, it's now KPMG. And I worked for Peat Marwick from 1975 until 1983 before I went to work for T.J. Raney.
Q You were doing legal work for them?
A No, I was an accountant. I was a tax

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accountant. I'm also a CPA.
Q You're a CPA as well. Okay. During the period 1982 through 1985, what position did you hold at T.J. Raney?
A Well, none in 1982. I was still with Peat Marwick at the time.
Q I'm sorry. 1938 through 1985.
A I was employed as a vice president, and employed to work in the public finance department as a public finance investment banker.
Q And were you located in Little Rock at that time?
A Yes.
Q Okay. And during the time period I just identified, 1983 through 1985, did you have a supervisor?
A Did I have a supervisor? Yes, Bob Snider.
Q What was his position?
A His position during that period was the manager of our public finance department.
Q Did you have anyone who reported to you?
A At that time, other than just occasional

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secretarial types of assistance, no, I did not.
Q During that time period, how many people were in the public finance division at T.J. Raney?
A Let's see. I would say -- you'll have to give me a second to count heads here. Probably six bankers and probably four support people; I think that would be a good estimate.
Q What type of work did the public finance section do?
A We were in the business of working with issuers of public debt, primarily tax-free bonds, to finance public projects and the like. We worked in structuring those transactions that were ultimately sold by our sales department, or in the event that we served as a financial adviser, would be purchased by other firms at competitive sales.
Q What were your primary responsibilities during this time period?
A Primary responsibilities would be to work on the transactions and structure them for those that would be engaged to originate and complete. Also I was -- would have to contact and keep up with

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projects that were being discussed, prospective projects that were being considered for financing, contacting potential clients, staying in touch with what opportunities might arise. That sort of thing.

Q During this time period, did you work on any deals involving the Arkansas Housing Development Agency or Arkansas Development Finance Authority?

A '83 through '85?

Q Yes, sir.

A ADFA?

Q Actually '83 through '86.

A In '86, I think I was involved in a financing that ADFA did that was a pool type of financing for public improvements, but I think that was the only financing that I was really associated with at ADFA during that time period. I really had no involvement with their housing activities or ADFA's general business, or with AHDA for that matter.

Q Was Lasater involved in the project that you just described?

A I don't think so. I think, at that time, I

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think Lasater was probably out of business. I think they'd been sold to another firm as I recall.

Q Was there a person at your firm that dealt with the housing offerings that ADFA did?

A That would have been Bob Snider and a fellow named Jim Fowler. Both of them covered housing matters; Bob Snider primarily though.

Q Did you ever have any discussions with either one of them with regard to the Collins, Locke & Lasater's or Lasater & Company's participation in housing offerings?

A Probably just only casual discussions just to make me aware of what was happening, but I really had no involvement in those transactions. So I had no really -- no real occasion to get involved into the details of those transactions or who was involved.

Q Did you ever hear complaints about Lasater & Company or Collins, Locke & Lasater being included in any housing issuances?

A Complaints? By who?

Q By anyone you worked with.

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A I don't think anybody that I worked with complained about their participation. You know, there may, just like there are in any public financing where there's a group involved in doing a financing, others that are not included might have complained, but, you know, that's the only thing I would be acquainted with.

Q During the time period 1983 through 1986 did you have -- let me -- I'll withdraw that.

During the period 1983 through 1986, are you aware of any political influence that was brought to bear to award ADFA or AHDA bond contracts to any underwriting firms?

A I can't say that I am.

Q Have you ever heard that?

A Have I ever heard whether or not any political influence has been applied to --

Q Yes, sir.

A Well, you know, I think those sorts of things, those sorts of suggestions, I think are, you know, made in public, in the press. And you know, I hear that sort of thing suggested, you know,

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occasionally, but, you know, I think that's, you know, that's nothing new.

Q Other than press accounts, have you ever heard reports that Lasater & Company was included in a bond underwriting group as a result of political pressure?

A You know, I think I've heard that some people have suggested that, but you know, I can't recall any specifics.

Q Do you recall where you heard it from?

A No.

MR. FEUER: Has Frank White raised that or any others raised that in gubernatorial campaigns in Arkansas?

THE WITNESS: About Lasater's inclusion? You know, I think that the Stephens firm, you know, has probably has, I think has probably complained or complained back in that time about their inclusion in ADFA accounts. I don't know when I became acquainted with that, but I've heard that.

BY MR. O'CALLAGHAN:

Q Do you recall whether you had any

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conversations with anyone at Stephens about that?
A About Lasater?
Q About Lasater's inclusion in ADFA bond underwritings.
A I don't think I have.
Q Are you aware of any money laundering that was associated with any ADFA or AHDA bond offerings or underwritings?
A No, I'm not.
Q Did you attend any ADFA board meetings?
A When?
Q During the period '83 through '86.
A I think I probably did in connection with the transaction I mentioned earlier. That would have probably been in the latter part of 1986. And I think I probably -- I may have occasionally attended an ADFA meeting, you know, like when Bob Snider or maybe Jim Fowler were unavailable, but just to make sure that we were represented. I never had any official thing to do in any of those meetings.
Q Are you familiar with a bond underwriting that was undertaken in 1985 to provide capital for

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the purchase of new police radio system for the state of Arkansas?
A Yes.
MR. STRASSER: I'm going to object to this. I assume you're going to ask him about the police radio financing. I think this is beyond the scope of the Committee's Resolution and is therefore irrelevant.
MR. O'CALLAGHAN: Okay. Are you directing the witness not to answer that?
MR. STRASSER: No, I'm not. I've objected on the grounds that I stated.
MR. O'CALLAGHAN: Okay. And for the record it's the Majority's position that the underwriting contracts between Lasater & Company and the state of Arkansas are relevant and within the scope of the Resolution even though the Resolution states that it is looking -- the language speaks, bond underwriting contracts between Lasater & Company and the Arkansas Development Finance Authority.
Do you understand that the bond underwriting contract entered into between Lasater &

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Company and the Arkansas State Police were contemplated at the time of the writing of the Resolution. And it's my understanding that the Minority has agreed to allow questioning into this area, as a result of discussions with members of the Majority on this subject.

MR. STRASSER: Well, I understand that's your position, and I will accept your representation that that's what the Minority position is. But to my mind, a simple reading of the Resolution shows that this is outside of the scope of it. But do what you want. After that, I'm not going to direct Mr. Young not to answer the questions on those grounds.

BY MR. O'CALLAGHAN:

Q How are you familiar with the Arkansas State Police radio bond underwriting?

A I was the representative for our firm who was principally involved with the activities I described earlier that were my job -- that is, identifying the opportunity and getting hired and ultimately structure the transaction.

Q Are you the person at your firm that first

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identified the opportunity to participate in the underwriting?

A It's my recollection that I am.

Q How did it first come to your attention?

A Back during 1984, a fellow named Frank Surguine who is also in our office and I were working on trying to identify opportunities for finance in Arkansas, particularly having to do with criminal justice facilities, jails. And we were talking to a lot of people about that -- those issues. And it's my recollection that, in the course of one of those discussions that I had with a fellow named Bobby Roberts who worked for Governor Clinton on his staff and was involved with coordinating the state effort having to do with new jails, I think he mentioned to me that the State Police was looking at doing a project like this. And that's how I first became aware of it.

Q Do you recall when in 1984 this occurred?

A It would have probably been sometime in October, November, something like that. I would suspect November.

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Q What did Mr. Roberts tell you about the project that was being contemplating?
A He just mentioned that the State Police was looking at building a new statewide radio communications system. That was basically all he mentioned to me.
Q Did he mention in terms of price how much they were looking to spend or how much they anticipated it would cost?
A No.
Q Did he provide you with any documents?
A No.
Q Where did the meeting occur, or the conversation?
A I can't recall. It may have just been on the telephone. I think it may have been -- it may have occurred when I was just following up with him having to do with our previous discussions. And you know, he knew I was looking for opportunities. That was part of my job.
Q Had you known him previously?
A No.

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Q Was anyone else a party to the conversation?
A No, I don't think so.
Q You mentioned that someone else you worked with and I wonder if you could spell his name?
A Frank Surguine, S-u-r-g-u-i-n-e; Frank Surguine.
Q After your conversation with Mr. Roberts, what was the next thing you did in relation to the police radio network?
A Well, the next thing that I have any recollection or information about was a contact with David Moseley, who was the fiscal officer at the Arkansas State Police, simply to gather information. And I think I actually had a meeting with him for that purpose.
Q When did that meeting occur?
A That would have been sometime shortly after my acquaintance with the opportunity. I think that was sometime in November.
Q November?
A '94.

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Q Did you go over to his offices to meet with him?
A Yes, I did.
Q Where are those located?
A It's in west Little Rock on Natural Resources Drive, as I recall.
Q Was anyone else in attendance at the meeting?
A I don't think so.
Q What type of materials did he provide you with at the meeting?
A I don't think he provided any materials. I think he simply answered questions such as what's going to be done, what amount's required, what's the timetable -- those sorts of things.
Q Did he tell you what type of system the police department was looking at purchasing?
A I think he probably did, you know. Ultimately it was an 800 megahertz radio system and I'm sure he probably described in general terms what was going to be financed.
Q Did he describe the cost that they expected

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to be associated with the purchase of a new system?
A I assume he did. I assume he did.
Q Did he mention whether he had been contacted by any other financial firms?
A I don't recall, but you know, that would be one of the questions I would have asked him, but I don't recall what he would have said.
Q At this point had you spoken to anyone else about your conversation with Mr. Roberts?
A I'm sure I probably mentioned it to Bob Snider, and probably, possibly Frank Surguine.
Q Other than asking Mr. Moseley questions during that meeting, did you provide him with any ideas about what you thought would be good ways of financing the project?
A I did send him some sort of communication -- a letter, a follow-up letter. I think it was sometime in January which I'm sure -- which I think documented probably some things that we had discussed either then, or maybe in subsequent conversations.
Q So between the meeting which you think is

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around November and the letter you sent in January, did you -- what type of work did you do with regard to thinking of financing ideas, if any, with regard to police radio underwriting?

A You know, I knew that they were looking at the options of a bond financing or something different, like a lease, and I'm sure I researched some of the legal issues, talked to lawyers about what they could do and what their options might be, what legislation might have been required to permit them to do one of those options, you know.

Bob Snider and I would have had discussions about strategizing, about how we ultimately would make a presentation in response to some sort of an RFP, so we planned for that eventuality.

Q Had you hired a law firm at that point to deal with this issue?

A No.

Q Did you speak with anyone in the governor's office during this time period about possibility of doing the financing for this?

A Bob Snider and I had a meeting with a

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fellow named Sam Bratton who was one of the governor's aides.

Q When did that take place?

A I think it was sometime in December.

Q What was discussed at that meeting -- actually before I ask you that, was there anyone else in attendance other than Mr. Snyder?

A I don't think so.

Q What was discussed at that meeting?

A I don't recall the specifics of the discussion, but you know, that would probably have been just like most of the routine meetings that we typically set up when we're trying to gather information about a transaction. I'm sure it would have been to get additional information from him that he might have on the transaction, ideas that they might have or issues, or information they might have that could tell us what sort of choices were going to be made about the financing options.

And I'm sure it was just an information-gathering meeting, as well as making sure that those that had some input or involvement with

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the transaction would know that we were interested.
Q What was Mr. Bratton's position at the time, do you know?
A I think that he was an aid to Governor Clinton, and Bobby Roberts, the fellow I mentioned earlier, had left the staff of the governor, I think, to go back to, I think, the University of Arkansas at Little Rock. Bobby Roberts was in charge of coordinating criminal justice matters and Bratton may have taken up that responsibility in the interim before somebody else was assigned to that.
Q So did Mr. Roberts suggest to you that you should talk to Mr. Bratton?
A I don't recall.
Q Do you know how --
A I don't know how we decided to visit with him.
Q Did he give you input as to what the view of the governor's office was with regard to financing the system?
A I don't recall any specific things he said about that. I'm sure he acknowledged that they were

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looking at several options.
Q Did he mention any involvement of the governor at this point?
A No.
Q Did you provide Mr. Bratton with any materials at the December meeting?
A I don't recall.
Q Had you put together materials by December?
A I don't recall.
Q Did Mr. Bratton mention whether he'd spoken with any other financial firms at that point?
A I don't recall.
Q Are you aware during December '84 whether any other firms had expressed interest in being involved in this?
A I think we knew that Stephens was following the transaction, and I'm sure that we became acquainted with what others were doing to follow the transaction sometime during that time. I don't remember when or how we became aware of that information, but I'm sure we probably knew by then or at some point in December that both E.F. Hutton and

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Lasater were following the transaction.
Q Why do you think you knew by December that you knew they were following the transaction?
A I know that sometime by -- I think, at least as I recall the letter that I wrote to David Moseley, I think acknowledged that we had by that time developed a relationship with those two firms. And we had a meeting sometime in December with Lasater and Hutton to talk about the transaction and how we might work together on the transaction.
Q Was that the first meeting you had with those groups, with Hutton and Lasater?
A I think so, in person. There may have been some preliminary discussions where we talked with representatives of Hutton or Lasater about the transaction, but I do not recall.
Q When was the first time that you contacted other financial firms in relation to this prospective project?
A I know that Bob Snider and I, before we got together with Lasater and Hutton, contacted Stephens and suggested that we work together on this

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transaction, and that would have had to have been before we talked to Lasater and Hutton.
Q And what was the result of that conversation?
A They decided that they wanted to pursue the transaction by themselves.
Q What was the first contact you made with anyone at Lasater & Company?
A I --
MR. STRASSER: Are you directing this to him personally?
MR. O'CALLAGHAN: To you personally at first, yes.
THE WITNESS: I don't remember any contact that I had with anybody at Lasater or Hutton about the transaction before the time we had a meeting together.
BY MR. O'CALLAGHAN:
Q Would anyone else have contacted them other than you?
A I would -- I think Bob Snider must have contacted the firms. He knew Lasater and Michael

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Drake through AHDA or ADFA, and he also had an acquaintance with E.F. Hutton because of some past relationships. So he probably took care of or was involved in the initial discussions with those two firms.

Q So just so we're clear, you think Mr. Snider initiated the contact with Lasater & Company?

A I think so because I simply don't recall how that developed.

Q Before the meeting that occurred in December, did you have any contact with Mr. Drake at Lasater & Company?

A I must have, at least to you know, having to do with when we were going to meet and who was going to be there, but I don't remember anything else.

Q Do you recall why your firm contacted Lasater & Company to participate in competing for the underwriting contract for the radio system?

A You know, Lasater had been involved with housing -- AHDA transactions. They were a local

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firm, but, you know, had some credibility obviously with state transactions. And I assumed that, you know, that was the basis for the discussions that we had with Lasater.

Q Do you recall telling anyone at Lasater & Company why your firm had contacted them?

A No, I don't.

Q The explanation? And just so we're clear, did your company contact Lasater & Company first or did they contact you?

A I don't recall. I don't remember how that occurred.

Q Do you have any recollection of a conversation that you had with Mr. Drake telling him that the reason T.J. Raney had contacted Lasater & Company was because of the relationship that Dan Lasater had with Governor Clinton? Let me ask you that first.

A No, I don't.

Q Did you ever tell Michael Drake that T.J. Raney approached Lasater & Company because Lasater & Company, Mr. Lasater being good to Governor Clinton

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when he's out of office in 1981 through 1982?
A No, I don't recall that.
Q Did you ever have any conversations with Mr. Drake or anyone at Lasater & Company about Mr. Lasater's relationship with the governor?
A You know, I think it was well-known that Dan Lasater was a supporter of Governor Clinton, so you know, I assumed that, at some point during our working relationship, that may have been discussed, but I don't recall any specifics.
Q Do you have a general recollection of whether you ever brought that subject up?
A No.
Q In any conversations that you had with anyone in the governor's office, did they ever suggest -- did they suggest any other financial firms that T.J. Raney should work with on securing an underwriting contract for the police radio financing?
A Not that I recall.
Q Before the meeting in December between people from T.J. Raney, E.F. Hutton and Lasater Company; is that right?

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A Uh-huh.
Q Before that meeting, how many contacts were there between people in your company and people in Lasater Company?
A I have no recollection. I simply can't recall.
Q Just so we're clear -- I don't know if I asked you this -- do you know who Michael Drake is?
A Yes, I do.
Q How do you know Michael Drake?
A I became acquainted with Michael Drake working with Lasater on the State Police transaction.
Q Do you recall when you first met him?
A I do not recall when that might have occurred, but I'm sure it was before the December meeting.
Q Is that because you had had conversations with him before this December meeting?
A What now?
Q You said you are sure it was before the December meeting --
A I know I met him before the December

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meeting, I simply don't recall when and under what circumstances. I think I mentioned to you earlier that occasionally I had covered an ADFA or AHDA meeting for T.J. Raney. I think I at least did that once before the time period in '85, you are talking -- or '84. And I could have met him at that time because I think he was covering AHDA for Lasater.

Q Do you know how many contacts anyone from your firm had with members of E.F. Hutton & Company before the December meeting?

A No, I do not.

Q Who is the person at E.F. Hutton who represented them?

A At the meeting?

Q Yes, sir.

A There was a fellow named Bernard Beal there.

Q Can you spell that?

A Bernard is B-e-r-n-a-r-d. Beal is B-e-a-l. And I think there may have been one other person there from E.F. Hutton, but I do not recall

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who that was.

Q And who was there from your company?

A Bob Snider and myself.

Q And from Lasater & Company?

A Michael Drake.

Q Did anyone else attend the meeting?

A I think David Menz was there.

Q Who is he?

A He's with -- he was, at the time, with the firm Wright Lindsey & Jennings, but he now is with the firm of Williams & Anderson. He ultimately served as underwriter's counsel on the transaction. Menz is M-e-n-z.

Q What was the purpose of the December meeting?

A To discuss how we might work together in pursuing this business.

Q Was there any discussion of any action being taken by any other firms with regard to this project?

A Any discussion of?

Q Any action being taken by other firms that

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you're aware of.
A Well, I'm sure we discussed what other firms would be proposing and try to be able to do the transaction, and you know, what our competitive strategy would be.
Q As of the December meeting with the other members from the other underwriting firms and Mr. Menz, how many meetings did you have with members of the governor's staff?
A What was that question again?
Q Before the December meeting with the people we just mentioned, how many meetings did you have with members of the governor's staff?
A I don't think I had any others than those that we've talked about, the meeting with Sam Bratton.
Q The one meeting with Sam Bratton?
A That's right.
MR. STRASSER: He mentioned one meeting with Roberts also.
MR. O'CALLAGHAN: Roberts? I'm sorry.
MR. FEUER: I believe Mr. Young said that

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he probably spoke with Mr. Roberts over the telephone.
MR. O'CALLAGHAN: Off the record.
BY MR. O'CALLAGHAN:
Q So the only communications you're aware of are the ones you had with Bobby Roberts -- I'm sorry what was his name?
A Robby Roberts and Sam Bratton.
Q Are you aware of any meetings that anyone from Lasater & Company had with members of the governor's staff before the December meeting?
A No, I'm not.
Q How about between members of the governor's staff and anyone from E.F. Hutton?
A I have no recollection of that.
Q Was there anyone from the governor's staff in attendance at the meeting?
A No, there was not.
Q Where was the meeting held?
A At Lasater's office.
Q Do you recall what floor?
A I think it was on the first floor.

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Q First floor. Is it in a conference room or office?
A It was kind of a conference room with some office type characteristics. It was, as I recall, right off their trading floor.
Q Who called the meeting?
A I don't recall who called the meeting, but I'm sure we all mutually agreed to meet at the time we met and where we met.
Q Was there an agenda that was used in the meeting, or --
A Not that I recall.
Q -- a specified purpose for the meeting?
A Well, I think I mentioned earlier we were going to get together and talk about how to pursue this transaction and how we might work together. I think that was the nature of the meeting.
Q At this point did Mr. Drake or anyone at Lasater & Company relate to you any conversations that Mr. Lasater might have had with the governor with regard to the police radio financing?
A I have no recollection of that.

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Q I'd like to show you a document Bates stamped DKSN 017877 through 017893. I'll give a copy to your counsel.
I'm going to ask you a very general questions about it. I'm not going to ask you about the substance of it.
Take a moment to look at it and I'm going to ask you if you've seen it before.
(Witness reviewed the document.) Do you recall ever seeing the document I just showed you before?
A No, I do not.
Q Are you aware of any draft legislation that was put together to enable the financing for the police radio system that contemplated using Arkansas Development Finance Authority to do the financing?
A I don't recall any one that involved ADFA. You know, I seem to recall one that involved a revenue bond structure that would involve an issuance of bonds by the State Police Commission, but I don't issuance of bonds by the State Police Commission but I don't recall this legislation or anything that

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would have involved ADFA and the State Police.
Q Okay. Thank you. Okay.
Prior to your December meeting with the members of the other underwriting firms and Mr. Menz from Wright, Lindsey & Jennings, had you seen any drafts of legislation that were put together for possible legislation for authorizing the financing of a police radio system?
A Yes, I had.
Q And where had you seen those?
A I don't recall how I obtained the legislation. It's possible I could have gotten that, you know, through David Moseley. It's possible I could have seen a copy of that from Sam Bratton. I just simply don't recall how I obtained a copy, but I do know that I saw a draft of a piece of legislation that would have involved that revenue bond financing that I think the State Police Commission would have been the issuer.
Q Okay. You believe you saw it before the December meeting?
A I feel -- I think so.

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Q Okay. I'd like to show you another document, Bates stamps DKSN 017979 through 017993. And I'm going to ask you if you've ever seen that before. Take a minute to look at it.
(Witness reviewed the document.)
I'll identify it for the record. It appears to be a draft of a piece of legislation which is entitled "An act authorizing the issuance of revenue bonds by the Arkansas Police Commission for the financing of the cost of communications equipment for the department of Arkansas State Police providing for the payment and security of such bonds and further purposes."
In top left portion of the first page is the date 11/19/84. And then there is some handwritten notes that appear on the top of the page.
A This appears --
MR. STRASSER: He hasn't asked you a question. He asked you had you seen it before.
THE WITNESS: This appears to be the legislation I was referring to in my earlier answer.

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BY MR. O'CALLAGHAN:
Q Do you recognize the handwriting that appears on the top of the document?
A I do not.
Q Looking at the date on the document, 11/19/84, does that help you pin down when you might have first seen a copy of the legislation, the draft?
A It must have been after 11/19/84 obviously because I mentioned before the December meeting. So it would have been sometime during that time frame.
Q And you believe your meeting with Mr. Bratton took place in November?
A I think that's correct. I think it would have been after the meeting with David Moseley.
Q Do you recall whether Mr. Bratton discussed any drafts of legislation that were prepared?
A I do not. As I said earlier, it's possible that he shared this with us. I don't recall.
Q Do you recall at any time whether a law firm was hired to assist in drafting legislation to authorize the issuance of the revenue bonds for the State Police Commission?

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A Hired by who?
Q By anyone that you know of.
A Well, during 1985, the spring of '85, during that legislative session, the Mitchell firm was working with our group and was involved in drafting the legislation that was ultimately enacted to authorize the transaction. It's my recollection that the firm Friday, Eldredge & Clark probably prepared this legislation. And I don't know whether or not they were engaged by anybody or who they might have been working with.
It's not unusual for a law firm to get involved with drafting legislation to authorize a transaction, obviously ultimately hoping to be involved with the financing in some form or fashion, but without any specific engagement.
Q Okay. Was the Mitchell firm hired by any specific firm that you worked with? Who paid them?
A They were engaged by Lasater and it's my recollection that Lasater and -- Lasater had gotten them involved with working with our group and had engaged them to work on drafting the legislation.

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And in that capacity, for our group, they in effect would have been working for the entire group.

Q Did they coordinate their efforts with the governor's office?

A The Mitchell --

MR. STRASSER: Who?

MR. O'CALLAGHAN: The Mitchell firm.

MR. STRASSER: You are asking if he knows that?

MR. O'CALLAGHAN: Yes.

THE WITNESS: I don't recall what they might have done or how they would have coordinated legislation. I do remember meetings that I was involved with during the course of legislative process, and I'm sure there were representatives of the governor in attendance at those meetings.

BY MR. O'CALLAGHAN:

Q And were these meetings specifically about the proposed legislation, or did it also involve talking about specifics of the financing?

A Well, I think we only talked about the financing as related to the legislation, but during

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probably March, when I think the legislation was being considered by the legislature, the principal discussion of any meetings that we might have had would have had to do with how the legislation needed to be structured or drafted to properly facilitate the financing.

Q How many meetings would you say you were involved with during the legislative session?

A I don't recall. I do remember one at the latter part of the time when the legislation was being considered by the legislature. I remember having one meeting at the capitol that I think a representative of the Mitchell firm was in attendance on.

Q Would that have been a woman by the name of Anne Ritchey?

A Yes.

Q Is she the person at the firm who primarily did the work?

A She and a fellow named John Selig, I think I would consider would have done the major work on the transaction.

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Q She was at the meeting at the capitol?
A I think so.
Q Who else was there?
A Oh, there probably was somebody there from -- you know, Michael Drake may have been there. I think there was a fellow that was a staff person, but was pretty intimately involved in legislation that was enacted. And, you know, he kind of knew the ins and outs of how things got done, what was preferred and what was not workable, and I don't recall his name. I think he's since deceased. He was kind of an old hand that knew how to get things worked through the legislature.
Q What staff was he on?
A I think he worked for legislative counsel as I recall.
Q Was there anyone from the governor's office there?
A I don't recall.
Q Do you know a woman by the name of Betsey Wright?
A I know who Betsey Wright is. I'm not

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personally acquainted with her. I've never met her.
Q Do you recall whether Sam Bratton was there?
A I do not recall. He certainly may have been. You know, I would think that somebody from the governor's office might have been there because the governor introduced and sponsored this legislation; he was keenly interested.
Q Where was the meeting held?
A It would have been in the capitol building.
Q At anyone's specific offices?
A I don't remember.
Q Are you aware of any efforts taken by any other financial firms in recommending potential authorizing legislation for this project?
A No, I'm not. Unless some other firm was involved with this, and I don't have any specific knowledge.
Q You are referring to 17979 --
A Yes.
Q -- 11/19 draft I showed you?
A Right. There may have been another firm

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that had this drafted or was involved in this in some way, but I don't have any specific knowledge of that.

Q Did the governor attend any of the meetings that you had with -- during the legislative session as part of this?

A No, he did not.

Q Did you ever attend any meetings where he was in attendance?

A No, I did not.

MR. STRASSER: Can we take a break here?

MR. O'CALLAGHAN: Sure.

(Recess.)

MR. O'CALLAGHAN: Could you read back my last question and answer.

(The reporter read the record as requested.)

BY MR. O'CALLAGHAN:

Q Other than the meeting in March, which you identified at the capitol and you said there may have been people from the governor's office, are you aware of any meetings that Michael Drake had with anyone in the governor's office?

A No, I am not.

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Q Did he ever tell you that he met with people there?

A I don't recall.

Q You had mentioned that you had a number of meetings during the legislative session with regard to the financing for the radio system. Where did those meetings typically take place, if there was a typical place for them to occur?

A Well, I'm not sure I said that there were a number of meetings. If I suggested that, I only meant to say that we probably had more than one meeting. And I just don't recall where those might have occurred.

I just simply have a specific recollection about one meeting about the legislation occurring at the capitol, that I've already described.

Q And the meeting had you with Mr. Moseley, did that occur before or after the meeting you had -- actually did you meet with Mr. Moseley or did you just send a letter to him?

A I met with him shortly after I became acquainted with the proposed transaction.

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Q And then after that, you had a meeting in December which involved the different members of financial firms; is that right?
A Right.
Q Other than the meeting you had with Mr. Moseley, did you have any other meetings with anyone from the State Police Commission?
A I don't recall specifically, but -- when they might have occurred, but I know that I had meetings from that time until the transaction was completed, with Colonel Goodwin, another fellow that was on his staff that was working on the transaction named Major Tyler -- Major Jim Tyler. But those would be the principal people I met with that worked for the State Police, and I at least contacted one of the commissioners.
Q Who was that?
A Fellow named Chester Hines. He was on the commission. He was a fellow from Pine Bluff.
Q Is that where you're from?
A Yes.
Q Did you have any meetings with anyone from

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the State Police before -- before I ask that, am I right in that T.J. Raney Hutton and Lasater were eventually awarded the contract for the police radio underwriting?
A That's correct.
Q Prior to the State Police Commission voting to award that to the Raney/Lasater/Hutton group, did you have any meetings with the State Police?
A Other than what I just mentioned?
Q Yes.
A Meetings, I don't believe I did. I did meet with Johnny Mitchum. I did meet with Johnny Mitchum.
Q And he was one of the commissioners?
A He was one of the commissioners.
Q When did you meet with him?
A It would have been before the meeting where we made our presentation.
Q Was that when you made the final presentation with three of the firms?
A Right.
Q On May 10th?

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A Right.
Q How far in advance of that meeting?
A I don't recall.
Q Do you recall whether it was within a week of the meeting, was it right before you went in?
A I don't recall.
Q Where did you meet with him?
A Who?
Q I'm sorry. Where did the meeting take place?
A Where did the meeting take place with Mr. Mitchum?
Q Yes, sir.
A I think it occurred at the Excelsior Hotel, one of the downtown hotels in Little Rock.
Q Where exactly in the Excelsior, was it in a conference room?
A I think it was in his hotel room.
Q Was anyone else at the meeting?
A A fella named Jack Meyers.
Q Who is Mr. Meyers?
A He is an actuary.

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Q What was the purpose of the meeting?
A Simply to discuss the merits of our proposal, but also they shared with me an analysis that Mr. Meyers had prepared of the financial characteristics of each of the proposals, present value calculations and such, that ultimately were presented at the commission meeting by Mr. Mitchum.
Q And who called the meeting?
A Who called what meeting?
Q With Mr. Mitchum and Mr. Meyers.
A I don't recall. I'm sure I may have talked with -- as I mentioned, I talked with Chester Hines and I may have had some telephone contact with, you know, one or more of the other commissioners. And I think I also had some kind of conversation with Johnny Mitchum.

And I'm sure that I probably expressed an interest in talking with him, just to make the merits of our presentation known to him. And I don't recall how we ended up getting together. It may have been at his suggestion at that time. It may have been in town. I don't really recall how it all got set up.

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Q Is he from Little Rock?
A He is from Batesville.
Q Do you recall whether he was in town for a commission meeting?
A I don't recall. I don't recall.
Q I'd like to show you a document which bears the Bates stamps DKSN 027168 through DKSN 027184. Take a moment to look at it. I'm going to ask you if you've ever seen it before.
(Witness reviewed the document.)
A This appears to be the analysis --
Q Okay. Go ahead, I'm sorry.
A This appears to be the analysis that Mr. Meyers prepared.
Q What was discussed at the meeting that you had with Mr. Mitchum and Mr. Meyers?
A They showed me this analysis, and I think they wanted to know my reaction and, you know, whether or not I agreed with the analysis.
Q And what did you tell them?
A Actually, as I recall, I told them I didn't think it quite gave our proposal as much of the

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beneficial analysis that it should have had, and I thought that really, on a relative basis, our proposal was actually better than what these numbers showed.
Q And did they ask you to provide information that would show that?
A I don't -- I think we just discussed it in general terms.
Q Do you know if this analysis is the analysis that was shared with the commissioners, helping to make the decision on which firm to choose for the underwriting project?
A It appears to me to be the analysis that was presented.
Q Do you recall whether any additional attachments were included in the analysis that was given to the commissioners?
MR. STRASSER: You want him to look through every page? You are asking him to compare this to another document that he doesn't have in front of him that's a document that he saw some years ago.
If you want him to go through it page by

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page and see if he now has a present memory of whether this analysis which bears some date in May of '85 is the one either that he saw in this meeting with Mr. Mitchum or that was eventually presented to the commission, you go right ahead and ask him that, but I doubt that that answer is going to be worth very much.

You are going to ask him if this is the entirety of a proposal he remembers seeing 12 years ago?

MR. O'CALLAGHAN: Yeah, that's the question.

MR. STRASSER: Okay. Go ahead.

THE WITNESS: I do not recall if there were any additional attachments or whether this is the complete presentation.

BY MR. O'CALLAGHAN:

Q Other than Mr. Mitchum, Mr. Myers and yourself, was anyone else in attendance at the meeting at any time?

A I don't believe so.

Q I'd like to direct your attention to the

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top of the first page. It's somewhat difficult to read. It appears to be dated, that says May 9th, 1985. If you look at page 27171, it's a little clearer.

A Okay.

Q Does that refresh your recollection as to when the meeting occurred?

A Well, it must have been on or after May 9th. I don't recall specifically.

Q And do you recall that the meeting of the police commission, where they voted on which firm to award the contract to, occurred on May 10th, 1985?

A I didn't recall that that was the date, but --

Q I may have something that would help.

A You know, let me correct something. You know, it's possible, and this occurs in a number of presentations I do, we'll do one draft of something and then do another draft at a subsequent date. So I don't think that, just by looking at the date on this presentation, I can assume that the meeting I had was on or after May 9th --

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Q Okay.
A -- because there may have been an earlier presentation that I saw that, you know, was just like this but could have been dated earlier.
Q Okay. Looking at this with the date May 9th, I'd like to show you another document Bates stamped DKSN 027189 through 27191. A copy for you and your counsel.
(Witness reviewed the document.)
A Is there a question?
MR. STRASSER: Give me a chance to read it.
(Pause.)
Okay. Go ahead.
BY MR. O'CALLAGHAN:
Q The document I just showed you reads "A special meeting of the Arkansas State Police Commission was held on May 10, 1985 in the boardroom of Arkansas State Police administrative headquarters, 3 Natural Resources Drive, Little Rock."
After reviewing this document, does it refresh your recollection as to when the meeting of

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the State Police Commission occurred where they voted on which underwriter or underwriting group to choose to finance the police radio network?
A It appears to have been on May 10th.
Q After looking at the minutes and the analysis which I just showed you which has a May 9th date on it -- that's the document Bates stamped DKSN 027168 -- do you recall whether you met with Mr. Mitchum and Mr. Meyers the day before the meeting where they voted on the underwriters to provide the financing services for the police radio network?
A I don't recall whether it was the day before. It may have been.
Q Okay. During your meeting with Mr. Mitchum and Mr. Meyers, did Mr. Mitchum express to you whether he had a preference for any of the underwriting firms that made proposals to the commission?
A Well, I think that his calculation had indicated that our proposal was the best presentation, so I think he felt like, as stated in the minutes to the meeting, we had the best deal.

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Q But during the meeting you had with him at the Excelsior, did he tell you that?
A I think that was -- I think he did indicate that we had the best deal.
Q Did he indicate whether other members of the commission were in agreement with him?
A I don't have any recollection that he had discussed this with anybody else on the commission.
Q Had discussed the analysis?
A Right.
Q Do you know whether he indicated to you where other members of the commission were leaning toward, on which firms to choose for the underwriting contract?
A I don't recall that he did.
Q Prior to dealing with Mr. Mitchum with regard to this project, had you known him previously?
A No, I had not.
Q How about Mr. Meyers?
A Jack Meyers and I go to the same church, and I do not recall whether or not we were acquainted before this meeting. I don't think we were.

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Q Do you know whether during this time period Mr. Mitchum knew Mr. Lasater?
A I have no knowledge of his relationship or any acquaintance with Lasater.
Q How about Mr. Meyers?
A Same for him. I have no acquaintance or knowledge of his relationship, if any, with Dan Lasater.
Q During this meeting, did he tell you that he was going to make a recommendation to the board that they accept the Raney/Lasater proposal?
A I don't recall whether he specifically said that, I don't recall the specific words, but I think the gist of his presentation was that he was going to.
MR. O'CALLAGHAN: Okay.
(Discussion off the record.)
BY MR. O'CALLAGHAN:
Q Okay. I'm going to go back on the record. I just want to take a step back and ask you some, ask you to identify a couple of documents. Take you back to January '85; you mentioned you'd sent a letter to

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Mr. Moseley.

I show you a document which bears the Bates stamp DKSN 017938 through 17940. And it's a letter on T.J. Raney & Sons, Inc. letterhead, dated January 4th, 1985, addressed to Mr. David Moseley. "Proposed acquisition of new radio communications equipment. $22 million anticipated cost." It says "Dear David, over the past few months we have been discussing the financing options available for the above project. You've asked me to provide a summary of those options for use in making a presentation to the council next week. On behalf of T.J. Raney & Sons, Inc., Lasater & Company and the E.F. Hutton Company, Inc., we are pleased to provide the following information."

MR. STRASSER: Is there a question?

MR. O'CALLAGHAN: I'm going to ask him is this the letter that he sent to Mr. Moseley he testified about earlier.

THE WITNESS: Yes, it is.

BY MR. O'CALLAGHAN:

Q Do you recall Mr. Moseley requesting that you provide a summary of financing options available

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for the police radio project?

A I don't recall a specific request, but it appears from the letter that he must have asked for something like this.

Q Do you know whether he requested possible financing options for the police radio project from other financial firms?

A I have no knowledge of whether or not he did.

Q Okay. Thank you.

Are you aware of when the State Police first publicly announced what alternatives it was considering to use for purchasing the communications system?

A Am I aware of when?

Q Yes, sir.

A No, I don't have specific recollection of when they announced that.

Q Do you recall that they did make an announcement to that effect?

A That -- I'm sorry?

Q With regard to what financing alternatives

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they were considering.
A I don't recall what was announced.
Q Okay. I'd like to show you a document Bates stamped DKSN 027486 which reads "State Police director lists alternatives to purchasing communications system." I'll give you a chance to read through that.
(Witness reviewed the document.)
It's dated 1/9/85 as it was produced to the Committee and it says "Gaz," which I believe is Arkansas Gazette.
(Witness reviewed the document.)
After reviewing this newspaper clipping, does it refresh your recollection whether or not the State Police publicly announced what alternatives it was considering for purchasing a communications system?
A Well, it appears that it listed -- it occurred sometime in January of 1985.
Q Were you aware of that when that happened, do you remember?
A I think the letter that I wrote

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contemplated that Mr. Moseley or the State Police were going to use some information they gathered in presentation to the legislative council. So this may have had something to do with that presentation.
Q Do you recall the first time that your group made a proposal to the State Police with regard to the financing structure you could offer?
A I think we provided a written proposal in February of 1985, a preliminary proposal.
Q Okay. I'd like to show you a document bears the Bates DKSN 017894 through DKSN 017913.
(Witness reviewed the document.)
Does the document I just showed you appear to be a copy of the proposal that you sent to the State Police?
A Yes.
Q Was that proposal solicited?
A I don't recall. I don't recall whether it was solicited or not.
Q Okay. The second page of the document I just showed you has signature spots for Paul B. Young, Jr., Stephen Claiborne and Michael Drake. And

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signatures don't appear above them.
Do you recall whether the one you sent in had signatures or not?
A I believe it would have. I'm sure it did.
Q So the proposal that you sent on February 25th, would you have considered that a formal proposal, do you recall?
A I think it was a description of a concept that we had in mind. And I think in the earlier letter, I had said that we would send something that laid out the concept we had in mind, and this must have been what we had committed to doing.
Q Who put this document together?
A The document was actually put together by E.F. Hutton.
Q Put together by Mr. Claiborne?
A No, I think it was put together by people in their New York office.
Q Do you know who was involved in putting it together?
A I think probably one that was principally involved was a woman named Laurel Esterlein.

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Q Do you know how to spell her last name?
A I think it's E-s-t-e-r-l-e-i-n. Laurel,-e-l.
Q I'd like to direct your attention to the third paragraph of the first page. It reads "We have of necessity made certain assumptions in order to do this preliminary analysis of the financing. These assumptions are set forth in the following pages. Based upon these assumptions subject to additional facts which are learned or developed, and based upon current market conditions, the financing we propose provides for principal and interest payments of approximately approximate $3 million per year, substantially less than the current annual revenues from driver's license fees, at an effective cost of borrowing at 4.7 percent per year."
Do you recall how that effective cost of borrowing was arrived at?
A I think it was, that was an internal rate of return calculation.
Q And how is an internal rate return calculation done?

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A That is the interest rate that is required -- discount rate that's required to discount future cash flows to current present value amount.
Q Does that fluctuate with different interest rate environments?
A Well, the future cash flows are set in a internal rate of return calculation, and the up-front money that you're comparing those future cash flows is set by whatever assumptions you use to determine those amounts, but then the interest rate would be a fixed rate that would be required to discount the future cash flows to the current PV amount.
Q Do you recall whether you got any response from the State Police after you sent this proposal in?
A I don't recall what any response might have been.
Q Did they give you any comments on it?
A I don't recall.
Q Did you have any conversation with anyone at the State Police about the proposal?
A I don't recall.

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Q Are you aware of whether members of Lasater & Company and the E.F. Hutton Company gave a presentation in or around January 10th, 1985 to the governor, members of the governor's office with regard to financing structures and investment banking services that they were proposing to do for the state?
A No.
Q You testified earlier about a meeting that occurred in March of 1985 at the state capital building. And I asked you if you recalled who attended. I've got a document, a one-page document. This is some handwritten notes. It's got notation 3-4 in the upper left-hand corner and lists a number of names. And it lists some information about, I think, about a possible financing.
Why don't you take a quick look at that and let me know when you are finished reading it.
(Witness reviewed the document.)
A I've read it.
Q The first question, have you seen this document before?

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A No, I have not.
Q Some names are listed on the top of the page which seems to indicate people were in attendance at a meeting. It says "Paul Young, M. Drake" --
MR. STRASSER: It doesn't indicate any such thing. There are some names listed on the page. This is somebody's notes. They're obviously not his notes. He's never seen it before. You can read whatever you want to into this document, but it doesn't say this is a list of people at a meeting.
BY MR. O'CALLAGHAN:
Q Okay. Do you recall being at a meeting in March of 1985 that involved Michael Drake, John Selig, an individual by the name of Mahlon, Joe and Mike G.?
A No.
Q Are you familiar with a man by the name of Mahlon?
A I would think that might have been Mahlon Martin, who was --
Q Who is Mahlon Martin?

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A He was, at the time, the director of the department of finance administration.
Q Did he attend the March meeting that you spoke about earlier which occurred in the capitol?
A Not to my recollection. I think I mentioned that there was another fellow representing the legislative council there. And as I recall, the meeting I referred to occurred in the late stages of the passage of the legislation. I don't have any recollection of a meeting with Mahlon Martin.
Q Okay. Thank you.
Do you remember any meetings you had in early March of that year that included Michael Drake and John Selig?
A I don't remember any specific meetings, but I'm certain that, you know, we would have had meetings, I would have had meetings with Michael Drake during that time. And John Selig was with the Mitchell firm, and he, as I mentioned earlier, was involved with Anne Ritchey on this legislation.
Q Was Sam Bratton in any of those meetings?
A I do not recall.

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Q Do you recall attending a meeting of the State Police Commission in or around April 4th, 1985?
A I don't have any specific recollection of that meeting.
Q I show you copies of a minutes of the Arkansas State Police Commission meeting dated April 4th, 1985. Take a moment to review it. I direct your attention to portion that reads "others attending." I'll ask you some specific questions about the third paragraph up from the bottom on page 27584.
(Witness reviewed the document.)
The Bates numbers on the document I just provided to you are DKSN 027582 through 27586. After reviewing this document, does it refresh your recollection as to whether you attended a meeting of the State Police Commission on April 4th, 1985?
A Well, it appears that I did.
Q Okay. And on the first page under the section which says "others attending," among other people listed it reads representatives from Lasater & Company, E.F. Hutton company, and T.J. Raney & Sons,

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Mr. Michael Drake, Ms. Anne Ritchey, Mr. Bill Woodyard, Mr. Paul Young and Mr. Robert Brown.
Do you recall whether you were invited to attend this meeting?
A I don't recall whether we were invited or not; no, I don't.
Q Do you recall attending this meeting?
A I don't have a recollection of being in attendance at the meeting, but after reviewing the minutes, it appears that I was there.
Q Did you attend many commission meetings?
A I'm not sure I understand what you're -- "many," one, two?
Q Had you been to any previous to this?
A I may have, but, you know, whenever I'm following a transaction with the hopes of being engaged to work on it, it's pretty standard routine practice to go to public meetings that are held to make sure that, you know, everybody understands we're interested and to gather information.
And it appears here that the legislation had recently been enacted, and I think I'd mentioned

earlier that we had been instrumental in helping draft the legislation and getting it passed.

Q I can represent to you that the legislation was actually signed the same day, on April 4th, by Governor Clinton. Does that help refresh your memory of going to the meeting for the State Police Commission?

A No.

Q Okay. I'm going to read a portion out of page 27584. It's the third paragraph underneath the heading, "State Police Communications Act." It reads "The commission also has the authority under the Act to employ attorneys, accountants, underwriters and financial advisers as may be necessary in their judgment, and set their fees, but the commission feels that in-house expertise should be utilized whenever possible. The Act will also allow the commission to proceed without a hearing to normal state processes, but prior to any obligation being incurred by the commission, any contract agreement or proposal must be submitted to the communications study committee and legislative council for their



review.

"Recommendation was made that a financial team be selected as soon as possible so that they may be involved in the negotiations with Motorola. After a lengthy discussion between members of the commission, Mr. Ed Erxleben and Mr. Doug Meadows of state purchasing and representatives of several financial firms concerning procedures to follow relating to the acquisition and financing of the communications equipment, the commission agreed to begin immediately the process of selecting a financial institution to handling the financing."

Do you recall engaging in a conversations about selecting -- let me withdraw that.

Do you recall engaging in conversations at a State Police Commission meeting where the discussion was held with regard to choosing a financial institution to handle the financing of the State Police radio system?

A Are you asking if I said anything at this meeting?

Q The first question, did you engage in

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discussions of that nature?
A I don't recall any specific thing that I would have said to anybody.
Q Do you recall whether anyone from the group that I just read from the front page, Mr. Drake, Ms. Ritchey, Mr. Woodyard or Mr. Brown, participated in any discussions of that nature?
A I don't recall anything that anyone would have said at that meeting.
Q Do you recall ever providing counsel to the police commission with regard to procedures to follow relating to the acquisition and financing of the communications equipment, other than what you've discussed?
A No.
Q Do you recall attending a meeting with the individuals listed on the front page that I read earlier, Mr. Drake, Ms. Ritchey, Mr. Woodyard and Mr. Brown?
A Attending a meeting when?
Q Of the State Police Commission at any time other than when you may have given your proposal?

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A I have no specific recollection of any, you know, particular meetings.
Q Okay. Thank you.
Did the State Police Commission issue requests for proposals for the financing of the State Police communications system?
A Yes, they did.
Q When did, did Lasater & Company -- I'm sorry.
Did T.J. Raney, Hutton and Lasater & Company receive a request for proposal?
A Yes, we did.
Q Who received that?
A I know we received one. I don't know whether or not anybody else received one.
Q Was one addressed to your attention?
A Yes, it was.
Q When did you receive that?
A I don't know exactly when it was received, but I expect that it was received shortly after the meeting we just discussed.
Q Do you recall whether it was within a day

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or two, was there a gap of time --
A I don't recall.
Q I'd like to show you a document Bates stamped DKSN 018227 -- if you need a break at any time, please let me know.
A I'm fine.
Q Chances are I'll be wanting it, too.
It's a letter on a state of Arkansas State Police letterhead dated April 5, 1985. It's addressed to Mr. Michael J. Drake and it's signed by Mr. David Moseley. Take a moment to review that and I'll ask you questions.
(Witness reviewed the document.)
The document I just showed you reads "Dear Mr. Drake, you requested" --
MR. STRASSER: Do you have to read the document? All of us can read.
MR. O'CALLAGHAN: I'm just going to read the first page --
MR. STRASSER: Go ahead.
MR. O'CALLAGHAN: -- the first sentence.
MR. STRASSER: Will you read it with

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expression so we'll all be interested in hearing you. This is silly to have five of us sit here and listen while you read. But go right ahead; if that's how you'd like to ask your questions, go right ahead.
BY MR. O'CALLAGHAN:
Q Thank you. It says "your request to submit proposal for financing the Arkansas State Police communications system."
Did you receive a letter similar to document I'm showing you?
A I believe I did.
Q Seeing the date, April 5th, 1985, do you know whether you received a letter in or around that time period?
A I expect that I --
MR. STRASSER: Go ahead.
THE WITNESS: I believe that I did.
BY MR. O'CALLAGHAN:
Q I direct your attention to the second to last paragraph, which reads in the second sentence, "potential bidders are cautioned to examine carefully Act 817 of 1985 and base your proposals on

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an estimated $23 million contract with Motorola with limitations on a payment of 3.1 million per year."

MR. STRASSER: It says 3.3 million in my copy.

MR. O'CALLAGHAN: Excuse me.

MR. STRASSER: I'm glad you read this aloud for us.

BY MR. O'CALLAGHAN:

Q My question is, do you recall whether the letter you received contained similar language?

A I believe that it did.

Q And in preparing your proposal to the State Police, did the Lasater/Raney/Hutton group read carefully Act 817 of 1985?

A Well, I expect that we did.

Q And the Raney/Lasater/Hutton group was -- did you say they were instrumental in the drafting of that legislation?

A I believe we were.

(Recess.)

MR. O'CALLAGHAN: Could you tell me what my last question was.

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(The reporter read the record as requested.)

BY MR. O'CALLAGHAN:

Q I wanted to follow up on something that you said earlier. You mentioned that you contacted Chester Hines, commissioner from Pine Bluff?

A Uh-huh.

Q Do you recall when you contacted Commissioner Hines?

A It probably would have been sometime in early 1985.

Q Was it before or after you'd submitted a proposal -- the Raney/Hutton/Lasater group had submitted a proposal to the commission?

A I don't recall.

Q Do you recall what the substance of the conversation was?

A It was to make him acquainted with our proposal and our ideas, and the merits of what we either had presented or were going to present.

Q Was this a face-to-face meeting or a telephone conversation?

A We met face to face. I met him at lunch in

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Pine Bluff, Arkansas.
Q Did anyone else attend the lunch?
A No.
Q Just the two of you?
A Uh-huh.
Q Did he indicate to you whether he thought your ideas were -- whether he looked favorably on your ideas?
A I don't recall any reaction that he indicated about the merits of our proposal. I think he did mostly just listen.
Q Okay. I'd like to show you a document Bates stamped DKSN 027850 through 027873. It's entitled "presentation to the State Police Commission of the state of Arkansas."
I think the left-hand corner of the first page is a victim to our copy machine. I believe it says "T.J. Raney & Sons Inc., E.F. Hutton and Lasater & Company."
I want you to take a look at that. I'm going to ask you very general questions about it.
(Witness reviewed the document.)

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The document I just handed you, is that a copy of the proposal that was submitted by the Raney/Hutton/Lasater group for the Arkansas State Police radio underwriting?
A It appears to be, but I have no way of knowing if it's a complete copy of our presentation.
Q Does it appear to be at least -- do you recognize the materials before you as part of the proposal that was given to the commission?
MR. STRASSER: Do you want him to read that? I will sit here and have him read it, but it seems a terrific waste of time to have him authenticate a 25-page document from memory.
THE WITNESS: This -- sorry.
MR. STRASSER: Is that what you want him to do? You want him to do this?
MR. O'CALLAGHAN: To the extent that he can.
MR. STRASSER: How is he going to do it without reading it? This seems to me a silly exercise. If you want to engage in a silly exercise, go ahead and do it. I don't want you to ask him

questions like that which are unfair questions without giving him a chance to read it.

If you want him to read through it and tell you from memory whether this is the proposal, he can go right ahead and do that. Do you want to represent to us that this is the proposal?

MR. O'CALLAGHAN: No, I don't want to represent that to you.

MR. STRASSER: Okay.

MR. O'CALLAGHAN: It's just something that's been provided to us. I just wanted to know from looking at it, the review he just gave it, which I understand was cursory, after your cursory review whether you remembered that was the proposal that was submitted to the police commission.

THE WITNESS: I'm not sure why this attachment appears a part of this because it's not referenced in the table of contents. It just looks like a general piece of information prepared by E.F. Hutton.

And I can't say whether or not that was a part of the proposal, but otherwise, whether or not



anything else was attached, I don't know. But it appears to be the proposal that we presented on this transaction.

BY MR. O'CALLAGHAN:

Q Okay. Thank you.

We discussed earlier a meeting that you had with Commissioner Mitchum and a gentleman by the name of Jack Meyers at the Excelsior Hotel. You say that Mr. Meyers had done an analysis of different proposals that had been submitted to the commission; is that right?

A That's correct.

Q Do you know who hired Mr. Meyers?

A I assume that Mr. Mitchum had engaged Mr. Meyers.

Q Do you know who paid Mr. Meyers for his services?

A I think I recall that, after all the events that occurred on the transaction, we may have either paid him directly or reimbursed Mr. Mitchum for that expense.

Q Do you have any specific recollection of

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why you remember that?
A I just simply recall that we did that. I don't have any documentation or whatever that reflects that, because I recall, you know, I think I felt that the, you know, what he had done had been beneficial for our proposal and it was something that we should pay for. But there was no agreement prior to that to do so.
Q What kind of role did Michael Drake play in helping the group prepare the proposal to the State Police Commission?
A You know, we got together before our presentation and rehearsed the things that we would say. All of our team had the opportunity to review a draft of the presentation before we made it, and so I would have considered involvement that he played was, you know, routine in relationship to what we were doing.
Q Did he have a role in preparing any of the documents that were prepared for the proposal?
A I don't recall.
Q Who had the lead role in preparing the

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documents?
A The proposal?
Q Yes, for the proposal.
A E.F. Hutton prepared the proposal.
Q Did Lasater & Company contribute to any of the financial analyses that was done for setting up the structure for the finance?
A Do you -- I'm not sure I understand your question.
Q With regard to setting up the structure of how the financing was going to be done with the rates and using driver's license fees and what have you, did they have any role in setting that up?
A I don't remember specifically what they might have done, but we all had discussions and conversations about -- and commented on how the proposal was developed. You know, it wasn't just done by Hutton and we signed it. We all had an opportunity to have some input, and I'm sure that they did just like we did.
Q Did you ever hear reports that there were complaints that Raney/Hutton/Lasater group had put in

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an unrealistically low bid for the State Police financing?
A Well, I know that -- I know that, I think, one of the competitors suggested that we might have presented interest rates that were below market. I think that was recorded in the newspaper.
Q Other than that?
A No, no specific recollection of any other.
Q Do you know whether anyone at Lasater & Company was contacted by the governor's office and informed that they were putting in unrealistically low bids?
A No.
Q Do you know whether they were contacted by the governor's office and told that the bid that they submitted must meet the actual price of the project?
A I'm not sure I understand what you're talking -- what your question is.
Q Whether the bid submitted for the State Police financing for the radio, whether that bid should match what the price that was actually, that it was actually executed at?

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MR. STRASSER: You are asking him whether he knows about whether anyone in the governor's office contacted Lasater and said that sentence that you just stumbled through; is that what the question is?
MR. O'CALLAGHAN: Yes, sir.
MR. STRASSER: I'm still not sure what you are asking. Are you asking whether -- I don't understand what your question is.
BY MR. O'CALLAGHAN:
Q Okay. Are you aware of any conversations that occurred between anyone at Lasater & Company and anyone at the governor's office with regard to the level of the bids that Lasater & Company was submitting for any state underwriting contracts?
A No, I am not.
Q Did anyone in the governor's office contact anyone at either T.J. Raney or E.F. Hutton with regard to the level of the bid that was set for the State Police bond underwriting?
A I do not recall that.
Q Did anyone at T.J. Raney, E.F. Hutton or

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Lasater & Company have any general discussions with anyone in the governor's office about the bids that were being submitted -- the bid it was submitting for the State Police radio contract?

A Are you asking me if anybody -- if you are asking me if anybody at T.J. -- all I know is what I was aware of and I'm not familiar with anything that -- I was not involved in any discussion with the governor's office about that, and I'm not familiar with any discussions that anybody else had on it.

Q During the time that the bids were being considered, are you aware of any concerns that were expressed by members of the commission with regard to any legal difficulties E.F. Hutton was experiencing?

A At the time that we made our oral presentation, that was shortly after E.F. Hutton had been charged in what was described as a check kiting scheme, and that was discussed at the oral presentation by, and raised by one of the commissioners as a specific concern he had.

Q Did you share the concerns expressed by the commissioner at the meeting?

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A No, I did not.

Q Why is that?

A I was acquainted with the issues involved, and I was satisfied that they had to do with events that occurred in the past and had no relevance to the transaction at hand.

Q Did you have any discussions with Steve Claiborne about that subject?

A I'm sure I did. Obviously this was a matter that was a potential negative for our group, and we certainly discussed before the presentation how to deal with that.

Q Did anyone at T.J. Raney have any -- have conversations with anyone in the governor's office about concerns they had about E.F. Hutton's legal problems?

A Not that I'm aware of.

Q Did anyone from Lasater & Company?

A I do not know. I don't have any personal knowledge of that.

Q Did anyone at E.F. Hutton?

A I don't have any personal knowledge.

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Q Outside personal knowledge, have you ever heard that that happened, conversations with Lasater & Company and the governor's office?

MR. STRASSER: You are asking him about rumors, press reports; is that what you are asking about?

MR. O'CALLAGHAN: Not press reports or -- not press reports, but anything anybody might have told you.

THE WITNESS: About a meeting between --

BY MR. O'CALLAGHAN:

Q Communication between the governor's office and --

A About the Hutton problem?

Q Yes, sir.

A No.

Q How about the Hutton company and the governor's office?

A No, I'm not.

Q I'd like to show you a copy of board minutes, again May 10th, Arkansas State Police Commission meeting. That's Bates DKSN 027189 through

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191. And I direct your attention to page 27190. There's a discussion on that page which begins with "Commissioner Johnny Mitchum prepared a brief summary in comparison of the four proposals and distributed copies to the commission. His conclusion was that they might accept the best concept or format rather than cost outline, that Raney/Hutton/Lasater offered the best plan."

Do you recall him making those comments?

A Yes, I do.

Q Do you know what he -- what was your understanding of his conclusion that they should accept the best concept or format rather than cost outline?

A I'm not sure I understand what was meant by that statement, but you know, his recommendation was primarily based on the analysis that had been prepared by Mr. Meyers.

Q Okay. Then the next sentence reads "some of the firms at this time requested permission to revise their proposals. They felt there had been some misunderstanding of the fact."

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MR. STRASSER: "They felt there had been" is what it says.

BY MR. O'CALLAGHAN:

Q Do you recall that occurring at the meeting?

A I do, and I don't know who they're referring to, but I know one, there was a discussion about whether or not, as I recall, the law required a monthly payment structure or something akin to a bond structure like we presented.

Q Do you recall the specifics of that conversation?

A Only that one firm felt like, you know, that our presentation and others that were similarly prepared were not responsive to what the legislation required.

Q How did they feel it wasn't responsive?

A I think the legislation required -- said something about monthly payments, and our presentation involved a structure that looked much like a typical bond structure, as did everybody else's. And I remember specifically making a comment

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in regard to that discussion that I felt since all the other firms, other than this one particular firm that raised that objection, had prepared their presentation similarly to how we'd done it and several of those had been associated -- had associated with them, the leading bond law -- bond legal firms in the city and the state, that that was a pretty good indication that our presentation had been consistently prepared with the requirements of the law.

I think frankly the fellow that was making that argument was simply confused about what that meant.

Q Okay. Your proposal called for lease payments to be made on the bonds; is that right?

A Our proposal required for the commission to make payments -- actually they were going to be made monthly but to a bond fund from which payments would be made on a semiannual basis to investors, bondholders or certificate owners.

Q And is that how the program was executed?

A Right. That's correct.

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Q Thank you. During the preparation of your proposal, did you have any contact with a man by the name of Ed Erxleben?
A During the preparation of our presentation or proposal?
Q From October '84 through May 1985.
A I don't recall the specific times of the meetings or when they occurred or the length or whatever, but I know that I had conversations at least once with Ed Erxleben.
Q Do you recall what you spoke about?
A Here again, I think it was similar to other meetings in preparation for presentation, just information-gathering, trying to understand what issues he was concerned about. And he was going to play a role in the decisionmaking so it was important to know what his concerns were.
Q What was his position at the time?
A He, as I recall, was, and I think still is, the director of state purchasing.
Q Did you have an opportunity to review any of the other proposals that were submitted to the

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commission?
A I did.
Q And what proposals were you able to review?
A I think I reviewed all of them.
Q When did you do that?
A I did that after they were opened, after they all had been presented to the commission.
Q Is that the date of the vote?
A Did I do it the date of the vote?
Q Is that the day of the vote, when they were opened, presented to the commission?
A No, they were submitted -- I think ours was dated April the 22nd so they were all submitted probably about that time. And once they were all received by the commission, they were available for review. They were public information. I requested the opportunity to do that and did so.
Q Did you have the opportunity to review any of those proposals prior to April 22nd?
A No, I did not.
Q Did anyone at Lasater & Company?
A I have no knowledge that they did.

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Q Did anyone at Hutton have the opportunity to review the proposals before April 22nd?
A I don't think so.
Q Who delivered your proposal to the State Police Commission?
A I don't recall.
Q Was it someone from your office?
A I'm sure it probably was, and it might have been me.
Q Do you recall what time of day the proposal was submitted?
A No, it was submitted on time.
Q Do you recall whether it was in the morning or the afternoon or evening?
A I don't know.
Q In between the time that Lasater/Hutton/Raney was awarded the contract by the State Police Commission and the time that the state legislature voted on whether or not to give advice and counsel on that contract, did you hear that Senator Knox Nelson intended -- was interested in not having an underwriting be done in connection with the

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state radio network?
A I don't recall that.
Q Did you have any conversations with Michael Drake about Senator Nelson in between the time the proposal was accepted and the legislature voted?
A I may have, probably did, but I don't recall specifics.
Q I'd like to show you a document I'd like you to read through it. For purposes of refreshing your recollection, it's a document Bates stamped DKSN 018182. It's dated 5/13/85. It's addressed to "Gov. from BW, re: Knox Nelson, State Police communications."
(Witness reviewed the document.)
MR. STRASSER: Go ahead. You can ask questions about it.
BY MR. O'CALLAGHAN:
Q Okay. Thanks. After reviewing this document does it refresh your recollection as to whether Senator Nelson was against entering -- was against the contract entered into with Hutton/Raney/Lasater and the State Police Commission?

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MR. STRASSER: You are not asking what the memo says? We can all read what the memo says. You are asking if this now sparks a present memory in him about something he said he didn't know anything about?

MR. O'CALLAGHAN: Yes, sir. I believe that's what I asked him.

THE WITNESS: No.

BY MR. O'CALLAGHAN:

Q No?

A No.

Q Thank you. Do you recall whether in May of '85 Michael Drake told you that he had arranged a meeting between Senator Knox Nelson and any members of the Arkansas State Police Commission?

A No.

Q Are you aware of any opposition to the contract that was awarded to E.F. Hutton, Lasater and Raney in the state legislature after the contract was awarded?

A Any opposition by who?

Q From the state legislature.

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A Well, I know that the legislative council, initially when it voted on whether or not to approve the transaction as decided by the State Police Commission, there were members that voted no.

Q Do you recall whether the council failed to give favorable advice on the contract?

A Yes.

Q Do you remember having a reaction to that?

A Well, it wasn't -- I would have preferred that they would have given favorable advice, so I was not pleased that they did not give favorable advice.

Q Did that slow down the execution of the contract in any way?

A It would have slowed down the execution of the contract, yes.

Q Why is that?

A Well, even though the legislative Act didn't require the legislative council to really do anything, the state commission was concerned about proceeding with the transaction without blessing from the legislative council.

Q And the legislative Act that you're

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referring to is 817?
A Right, the implementing legislation.
Q Did anyone from T.J. Raney, Lasater & Company or E.F. Hutton meet with any of the state legislature to try to convince them to give favorable advice and counsel to the contract?
A I'm not acquainted with what Lasater or Hutton might have done about that, but I know that there were people from T.J. Raney that contacted a few legislators just to inquire about their understanding of the issue and express our interest and request their favorable consideration.
Q Who at T.J. Raney made those calls?
A I think I may have contacted one or more of the legislators. I don't recall exactly who, but I'm certain I contacted somebody. And I think that Bob Snider may have made a contact. Fellow named Jim Alexander may have made a contact. And I don't know about anybody else, but these would just be people that they were personally acquainted with.
Q Did you have any contact with anyone in the governor's office with regard to the council not

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giving favorable advice?
A No, I didn't. Not that I recall.
Q Anyone from T.J. Raney?
A I don't think so.
Q Anyone from Lasater & Company?
A I wouldn't have any knowledge of that.
Q Anybody from E.F. Hutton?
A I would not have any knowledge of that either.
Q Are you aware whether Governor Clinton met with any of the state legislators with regard to their failure to give favorable advice to the contract?
A I have no personal knowledge of that.
Q Other than newspaper accounts, you --
A Other than newspaper accounts saying that, suggesting that happened.
Q Did anyone at T.J. Raney request the governor to do that?
A No, not that I'm aware of.
Q Anyone at Lasater & Company request --
A I have no personal knowledge of that.

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Q Did anyone from E.F. Hutton make --
A I have no personal knowledge of that.
Q I just need to ask you to wait for you to finish my questions before you answer. Thank you.
A Okay.
(Discussion off the record.)
BY MR. O'CALLAGHAN:
Q Let me know if I've already asked this question. If I have, I'm sure counsel will let me know. During the period 1983 to 1986, did you have any communications with Dan Lasater?
A I may have been introduced to him, but if by "communication," you mean some discussion other than just a hello?
Q Any kind of contact?
A Only probably a casual introduction.
Q Do you recall when that occurred?
A No, I don't. I'm sure I was introduced to him during the course of this transaction.
Q Did he ever attend any meetings involving the transaction?
A Only maybe initially to step in and say

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hello, but he was never really involved in any of the actual meetings that might have occurred, that I was involved with.
Q During the period 1983 through 1986, did you know Roger Clinton?
A No.
Q Between 1983 and 1986, did you have any contacts with Governor Clinton?
A 1983 to 1986. I don't recall any.
Q Did you have any discussions -- have you ever had any discussions with him regarding state bond underwriting?
A Any state bond underwriting?
Q Yes, sir.
A I served in 1990 as the state's financial adviser on a GO bond program where we were the state's financial adviser and assisted in the ratings process for those GO bonds. And during that process, we had at least one meeting with the governor, with Moody's. And so I mean that would probably --
Q Any meetings before that, any discussions?
A I don't recall any.

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Q Again, up until -- actually this question is up until the time -- up and through October 1986, did you have any conversations with anyone associated with the State Police regarding Dan Lasater?

A How do you mean, "regarding Dan Lasater"?

Q Any conversations where with the State Police -- let me fine-tune it a little bit.

Any conversations with anyone associated with the Arkansas State Police about potential or actual criminal activity of Dan Lasater?

A I remember a meeting I had with -- a lunch meeting I had with Colonel Goodwin. And I think both he and I were the only people that were involved in this meeting where the discussion -- we did have some discussion about comfort level with some rumors about Dan Lasater. And he indicated to me that he investigated those rumors and found that there was nothing to them.

Q Was this a meeting set up to discuss this issue?

A No, I think we were just talking about the status of the financing.

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Q Do you recall when the meeting took place?

A It must have been after we were engaged, but I don't recall exactly when it was. It may have been after the financings closed, I just don't recall.

Q You don't recall whether it was before or after the closing. Did he relate to you whether the governor had any concerns about possible criminal activity by Mr. Lasater or actual criminal activity?

A I don't recall that he did.

Q Did he have any discussions with anyone else in the State Police Commission -- with anyone, with any of the commissioners about this subject?

A Did Colonel Goodwin or did I?

Q Yes, sir, Colonel Goodwin.

A I have no knowledge of what Colonel Goodwin did or said to anybody else about it.

Q And did you?

A No.

Q No conversations with Mr. Mitchum or anyone else?

A Not that I recall.

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Q Did you have any other discussions with Colonel Goodwin on this subject?
A Not that I recall.
Q Any discussions with anyone at the governor's office on this subject?
A Not that I recall.
Q Did you ever discuss the governor's relationship with Mr. Lasater with any members of the State Police Commission?
A I don't think so. I don't recall ever having any such discussion.
Q Did you ever have any discussions with Mr. Drake about the governor's relationship with Mr. Lasater?
A No, I don't recall any. I think it was well -- I mean it was well-known that Lasater was a political supporter of Governor Clinton.
Q But did you have any discussions with Mr. Drake about that?
A About a personal relationship?
Q Yes, sir.
A No.

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Q Did you ever hear about any contributions that Mr. Lasater made to the governor's campaigns?
A You know, those sorts of things are published in the newspaper with who contributes to what candidate. I'm sure we all knew that he was on the list.
Q Other than that it was published in the newspapers, did you have any conversation with anyone about contributions by Mr. Lasater to Governor Clinton?
A Not that I recall. I mean, it was public information. He was a supporter of Governor Clinton. I didn't need anybody to tell me that.
Q Did you ever learn that employees of Lasater & Company were encouraged to contribute money to Governor Clinton's campaigns or inaugurals?
A You know, I have no personal knowledge of what any employees of Lasater might have done.
Q I'm sorry. The question is, do you know whether they were encouraged to do so?
MR. STRASSER: You've asked him to assume the truth of the fact. Do you want him to assume the

truth of it or are you asking him whether he knows it to be true?

MR. O'CALLAGHAN: I'm asking whether he ever heard it -- first of all, whether he ever heard it.

THE WITNESS: I have no recollection of that.

BY MR. O'CALLAGHAN:

Q Okay. Did you ever use Lasater-owned aircraft?

A No, I did not.

Q Are you aware of whether Lasater-owned aircraft were used to fly state officials to bond closing dinners?

A I'm not familiar with that. I have no personal knowledge of that.

Q Did anyone from Lasater & Company encourage you to contribute to Governor Clinton's campaigns or inaugurals?

A I don't recall that they did.

Q Do you know whether they encouraged anyone at T.J. Raney to contribute to Clinton campaigns or



inaugurals?

A I don't recall.

Q Were you ever made aware that political pressure was used in order to award the contract for the underwriting on the State Police radio network to T.J. Raney, Lasater and Hutton?

A I'm not sure I understand what you mean by "political pressure."

Q Was there any political influence exerted to award the contract to T.J. Raney, Lasater and Hutton? Do you understand that?

A You know, I've stated earlier that we made contacts with people we were acquainted with to encourage them to consider the merits of our proposal. So I'm acquainted with those activities.

Q Are you aware of any contacts that were made by anyone at the governor's office to anyone at the State Police recommending that they accept the Hutton/Raney/Lasater proposal?

A No, I'm not.

Q Are you aware where anyone from the governor's office recommended to the legislative

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council to give favorable advice to the underwriting contract awarded to Raney, Hutton and Lasater?

A I only know from a news report that I think three legislators indicated that they met with the governor who asked them to give the transaction favorable approval. And I only know that from what I read in the newspaper.

Q Do you know whether they eventually gave favorable advice or voted yes on it?

A I do know that, subsequent to the initial meeting, the legislative council did meet and give favorable advice.

Q Do you know if the three legislators that were contacted gave favorable vote?

A I don't recall that. I don't remember.

Q This is slightly different question, but with regard to whether the governor himself contacted anyone at the State Police Commission and recommended that the Raney/Hutton/Lasater proposal be accepted, do you have any knowledge of that?

A I do not.

Q Did anyone from Lasater & Company provide

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cash to the governor or anyone on his staff in connection with the police radio bond underwriting?

A I have no personal knowledge of anything like that.

Q Are you aware of whether anyone at Lasater & Company ever made any attempts to provide cash to either the governor or anyone on his staff in connection with the police bond underwriting?

A I have no personal knowledge of anything like that.

Q Have you ever heard that happened?

MR. STRASSER: Ever heard what happened?

BY MR. O'CALLAGHAN:

Q That an employee of Lasater & Company offered cash to either the governor or anyone on his staff in connection with the police radio bond underwriting?

A I have no personal knowledge of that or any other information about anything like that.

MR. O'CALLAGHAN: Why don't we take a brief break here.

(Recess.)

BY MR. O'CALLAGHAN:
Q This question is a little broader than the questions I asked you right before we took our break. Did anyone at Lasater & Company attempt to provide the governor or anyone in his office money in connection with any state bond underwritings?
A I have no personal knowledge of anything like that.
Q Okay. Again, I have to ask you, have you ever heard that?
MR. STRASSER: You just said it. Are you asking him about rumors and press reports or are you asking him --
MR. O'CALLAGHAN: I'm asking him if he's ever heard that that happened.
THE WITNESS: I don't think I have.
BY MR. O'CALLAGHAN:
Q Okay. Did anyone at Lasater & Company attempt to provide the governor or anyone in his office with any other kind of compensation in connection with any state bond underwritings?
A I have no personal knowledge of anything



like that.
Q Again, have you ever heard that that happened?
A No.
Q Are you aware of whether anyone ever offered a member of the ADFA board cash or any other kind of a compensation in connection with the bond underwriting?
A I have no personal knowledge of anything like that.
Q Have you ever heard that occurred?
A No.
Q Did anyone ever offer cash to a member of the Arkansas State Police Commission in connection with the police radio bond underwriting?
A I have no personal knowledge of that.
Q Have you ever heard that that happened?
A No.
MR. O'CALLAGHAN: I have no further questions at this time. I believe Mr. Feuer would like to ask you some questions. Thank you.
MR. FEUER: Why don't we go off the record

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for a moment.
(Discussion off the record.)
EXAMINATION
BY MR. FEUER:
Q Mr. Young, let me introduce myself again. My name is Mitchell Feuer. I am a counsel on the Democratic staff of the Senate Banking Committee. For purposes of this deposition, I will be asking you questions on behalf of the Democratic Senators who serve on the Senate Special Committee on Whitewater and related matters.
Because of the nature of this proceeding where Mr. O'Callaghan asks questions first on behalf of the Majority and I ask questions second on behalf of the Minority, there is inherently some repetition involved. I will try to keep that to a minimum, and I apologize for it in advance.
If at any point you don't hear my question, please let me know and I will repeat it. If at any point you don't understand my question, please let me know and I will rephrase it or explain it so that we understand one another.

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If at any time you want to take a break or you want to confer with your counsel, please let me know and we will go off the record for that purpose.
Did you have a belief in May 1985 as to why the Raney/Hutton/Lasater group was awarded the contract for the Arkansas State Police bond underwriting?
A Well, I felt like we had the least costly proposal, and the best proposal for the state.
Q Have you learned anything since May 1985 that has caused you to change that belief?
A No.
Q From the time you joined T.J. Raney in 1983 through 1986, was it part of your job to learn about opportunities to finance projects for state and local governments?
A Yes, it was.
Q Did you contact government officials to learn about those opportunities?
A Yes, I did.
Q And did you make those officials aware of T.J. Raney's ability to assist in financing public

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projects?
A Yes.
Q Was that a common practice in the underwriting business at that time?
A Yes, it was. It still is.
Q When Bobby Roberts mentioned to you that the State Police were considering building a new state radio system, did he indicate that was a secret?
A No, he did not.
Q Did he ask you to keep that information confidential?
A No, he did not.
Q Did he tell you that if T.J. Raney wanted to be involved with that project that the Raney firm would have to form a partnership with the Lasater firm?
A No, he did not.
Q When you met with David Moseley in or around November 1984, did Mr. Moseley indicate that the fact that the State Police were considering financing the acquisition of a new radio system was a

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secret?
A No, he did not.
Q Did he ask you to keep that information confidential?
A No, he did not.
Q Did he ask you to keep any of the information that he provided to you in that meeting confidential?
A No.
Q Did Mr. Moseley tell you that if the T.J. Raney firm wanted to be involved in the financing of the new radio system that it had to form a partnership with the Lasater firm?
A No.
Q When you and Mr. Snider met with Mr. Bratton to discuss the new police radio system, did Mr. Bratton indicate that the fact that the State Police was considering the financing of a new radio system was a secret?
A No.
Q Did he ask you to keep that information confidential?

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A No.
Q Did he ask you to keep any information that he may have provided you in the course of that meeting confidential?
A Not that I recall.
Q Did Mr. Bratton say that if the T.J. Raney firm wanted to be involved in the financing of the new radio system that it had to form a partnership with the Lasater firm?
A No.
Q Did anyone in the governor's office at any point in 1984 or 1985 indicate to you that the Lasater firm would definitely be involved in the financing of a new police radio system?
A No.
Q Did anyone in the governor's office at any time in 1984 and 1985 indicate that if the T.J. Raney firm wanted to be involved in the financing of a new police radio system the Raney firm had to form a partnership with the Lasater firm?
A No.
Q At the time of the December 1984 meeting

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attended by representatives of the Raney, Hutton and Lasater firms and others, did you believe that it was certain that the Raney/Hutton/Lasater group would be awarded the contract for underwriting the police radio bonds?
A No.
Q Mr. O'Callaghan previously showed you a document that bore the Bates stamps 17979 through 17993 and you indicated that it was your belief that the Friday, Eldredge & Clark law firm might have drafted that document. Do you have a belief as to who might have hired the Friday law firm to prepare that document?
A No, I do not.
Q Is it your understanding that in 1985 the Friday law firm had any kind of relationship with Stephens, Inc.?
A I think they may have been a part of the Stephens proposal, like Mitchell was a part of our proposal. They were mentioned in the Stephens proposal, as I recall.
Q Did the Friday law firm -- do you know

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whether the Friday law firm carried out most of Stephens, Inc.'s legal representations at that time?
A I don't think they did. I do not know. We work with the Friday law firm a lot ourselves.
Q Did T.J. Raney work with the Friday law firm in connection with the State Police Commission's issuance of bonds in 1985?
A They ultimately represented First Commercial Trust, which was the issuer of the certificates of participation. So they did have a small role to play in the transaction that ultimately closed.
Q Did you tell Commissioner Mitchum to hire an actuary?
A No, I did not.
Q Did anyone at the Raney firm, the Hutton firm, or the Lasater firm tell Mr. Mitchum to hire an actuary?
A Not that I'm aware of. I'm not familiar with anything like that.
Q Did you tell Mr. Mitchum to hire Mr. Myers?
A No, I did not.

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Q Did anyone at the Raney firm, the Hutton firm, or the Lasater firm tell Mr. Mitchum to hire Mr. Myers?
A I have no personal knowledge of anything like that.
Q Prior to your meeting with Mr. Mitchum and Mr. Myers at the hotel, did you know that Mr. Mitchum had hired Mr. Myers?
A I don't think I did.
Q Did you know that, prior to that meeting, did you know that Mr. Myers was engaged in reviewing the proposals by underwriters on anyone's behalf?
A I don't think. If I was, it may have occurred, you know, very soon before the meeting, but I don't recall that I did.
Q Did the analysis performed by Mr. Myers that you were shown during that meeting -- strike that question.
Were you shown an analysis prepared by Mr. Myers during that meeting?
A Yes.
Q Was it your understanding at that time that

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the analysis prepared by Mr. Myers attempted to evaluate the strengths and weaknesses of the different proposals by the different underwriters?

A Yes. One of the things that the different firms had done is make different assumptions, for example, about earnings, what the rate on the earnings would be. And one of the things that Mr. Myers's presentation did was use the same rate of earnings for all of the presentations.

Q Which earnings are you referring to?

A Earnings on the funds that are generated by the financing before they're spent, such as the construction funds or the debt service reserves.

Q Was it contemplated that the underwriting would raise a sum of money from investors all at one time?

A Yes.

Q And was it further contemplated that those moneys would be spent over a period of time?

A Yes, it was.

Q And was it contemplated that the state of Arkansas would earn interest on the funds that had

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been received from investors during the time period before those funds were expended?

A Yes, it was.

Q What is a debt service reserve fund?

A A debt service reserve fund is a fund that is held by a trustee in a financing to be available in the event that the revenues dedicated for repayment for a financing ever fall short of those requirements. If that happens, a reserve can be tapped and used to make the payments to investors so that they can continue on schedule.

Q If the revenues don't fall short, is the issuer of the bonds -- is an issuer of bonds able to earn interest on the debt service reserve fund?

A Yes.

Q How did the debt service reserve fund in the Raney/Hutton/Lasater proposal compare to the debt service reserve funds in the other proposals?

A Well, I know that the Stephens proposal had a reserve amount equal to one half-year's debt service as opposed to ours which had a full year's debt service, which actually was detrimental to their

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presentation because at the time you could actually earn and keep -- or an issuer could keep the benefit of earnings that were generated over and above what the financing rate was. So the larger the reserve the greater the net benefit to an issuer.

I don't recall how the other presentation structured their reserves. I think some had full year reserves. I think the one prepared by First Capital, I think, didn't have any reserve.

Q Did the full year debt service reserve fund in the Raney/Hutton/Lasater proposal allow the State Police Commission to borrow money more cheaply than did the other proposals?

A Well, as I recall, the average cost of the money in the State Police transaction, the borrowing rate or the rate paid to the investors was approximately 7-3/4 percent. And the reserve was invested, I think, in excess of 10-1/2 percent. Therefore, I think the reserve of approximately 3.7 or $3.8 million, the difference between the 10-1/2-plus less the 7-3/4 in effect, was able to reduce the net payments that the State Police paid

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for the lease.

So in our earlier -- in an earlier question you asked me to refer to the rate that we quoted as an effective rate on the financing, and that effective rate was calculated based on the net payments that were made. And that is the net payments after reduction on earnings off the reserve. So we had more earnings. You had a lower net payment and therefore a lower effective rate. And I think that was one of the significant features of our presentation in terms of its cost comparison to the others.

Q At the time you reviewed the analysis prepared by Mr. Myers, did you feel he had accurately determined the costs to the state of the proposals by the different underwriters?

A As I mentioned earlier, I felt like it didn't give full benefit to the reserves that was a part of our proposal. I think, if you'll look at the numbers that he prepared, he shows a net reserve benefit that he uses in his analysis of approximately $900,000. And as I mentioned just a new minutes ago,

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the reserves actually were in the neighborhood of 3.7, $3.8 million. And so, in my view, the real benefit, the full benefit of that reserve wasn't adequately reflected in the analysis he did.

Q Did Mr. Mitchum or Mr. Myers ask you for your input with or for any changes to the analysis?

A No. He just asked for my reaction. As I recall, I probably said the same thing that I've just told you.

Q Do you have any reason to believe that Mr. Mitchum or Mr. Myers made any changes to those materials before they were presented to the Police Commission?

A No.

Q Mr. Young, I'm going to show you a document that has previously been marked DKSN 001406 through 1422. I believe this is another copy of a document that Mr. O'Callaghan has already shown you, but I can't represent that that's the case, that is my belief.

But in any event, I'm going to ask you questions about just three pages of this document,

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which are pages 1410 through 1412. Why don't you please let me know when you've had a chance to look.

(Witness reviewed the document.)

MR. STRASSER: Do you want him just to look at --

MR. FEUER: Let me restate that. I am going to ask you one question about the entire document and I'm going to then focus on the three pages that I mentioned.

MR. STRASSER: I don't suppose you have a copy for me?

THE WITNESS: The three pages were which ones?

MR. STRASSER: He wants you to look at the whole thing.

MR. FEUER: The three pages are pages 1410 through 1412.

(Witness reviewed the document.)

MR. FEUER: Let me further tell you that these pages were produced to the Special Committee in this order.

MR. STRASSER: In the order we see them?

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MR. FEUER: In the order you see them. But no pages that were produced to the Committee were stapled. So I have stapled them together in this fashion. They were produced sequentially, but they were not stapled together in this way.

MR. STRASSER: Can you tell us who produced them?

MR. FEUER: They were produced to the Committee by Mr. Kendall, the personal attorney for President and Mrs. Clinton.

(Witness reviewed the document.)

MR. STRASSER: Go ahead and ask.

BY MR. FEUER:

Q Is this document the analysis prepared by Mr. Myers that you were shown in the meeting, in your meeting with Mr. Mitchum and Mr. Myers?

A It appears to be all after the first page.

Q In other words, the first page does not appear to belong with the other -- with the following pages?

A No. The first page I think was something I prepared. That's my handwriting. And I think that I

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probably prepared this as part of my own analysis of the proposals. And one of the things I remember that I did is I not only calculated the cost of our proposal at the rates we assumed, but also the cost of our proposal at the rates that Stephens had assumed and verified with my own numbers that our proposal was still better.

Q And is that analysis that you performed reflected on page 1406?

A That's part of it. I think that this may have been one of the rough, early cuts I did of that. I think I did a little bit more detailed analysis than this. This is really just an approximation, but it shows the methodology that I was using.

You can see that I basically tried to estimate the present value of the net payments. I took the gross payments less the debt service reserve and the earnings.

Q And your analysis indicated that even using the interest rates assumed by Stephens, Inc. that the structure of the Raney/Hutton/Lasater proposal would

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still allow the Police Commission to borrow money more cheaply than would the Stephens, Inc. structure?

A That's correct.

Q Turning to pages 1410 through 1412 --

MR. O'CALLAGHAN: Before we go on, can I ask a couple quick questions on the first page, if you don't mind? Or if you want, I can do it after.

MR. FEUER: No, go ahead.

EXAMINATION

BY MR. O'CALLAGHAN:

Q Some general questions. Just to clarify, the analysis that you performed that appears on page 1406, do you recall when you prepared that?

A It would have been after I reviewed the proposals presented by all the firms.

Q Okay. Did you have this with you when you went to meet with Mr. Myers and Commissioner Mitchum?

A I don't recall. I doubt I did.

Q Do you recall whether you performed it before or after you met with Mr. Mitchum and Mr. Myers?

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A I probably performed it before I met with them.

Q Did you provide it to anybody?

A To the members of our team.

Q Did you provide it to the commissioners?

A Well, we did in our presentation. In fact, we had a little chart we prepared that showed the numbers that I'd calculated of our analysis.

Q So this was part of your oral presentation, one of the exhibits?

A I don't think this was part of our presentation, but the numbers I calculated similar to this were the basis of part of our oral presentation.

Q Did you distribute this particular page to anyone outside the firm?

A I don't think so. I may have. Obviously I did. Somebody else obtained it, but I don't recall how that would have occurred.

MR. O'CALLAGHAN: Okay. Thank you.

THE WITNESS: Do you mind if I take a quick break to make a quick call?

(Recess.)

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EXAMINATION
BY MR. FEUER:
Q Mr. Young, did all the underwriters who submitted proposals to the Arkansas State Police submit their proposals on the same day?
A I think they did.
Q Did you have access to the proposals of any other underwriters before they were submitted to the State Police?
A No, I did not.
Q Once the Arkansas State Police had received all of the proposals from the underwriters, did the Arkansas State Police make all of the proposals available to all of the underwriters?
A I had assumed so. They were public information, you know, that permitted me to go through them like I would assume they would have permitted anybody else to have. I don't know whether anybody else did but they certainly had the opportunity.
Q It was your impression -- strike that.
Did you believe that you had received any

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special treatment?
A No, I did not.
Q I'm going to ask you to look at pages 1410 through 1412. Do you have a belief, after looking at these pages, as to whether they accurately state the net present value of the Raney/Hutton/Lasater bid as of May 9th, 1985?
A Well, as I indicated earlier, I felt like this probably didn't adequately reflect the benefit, the full benefit of the reserve we had. You can see up here on the page, initial reserve fund $970,000. And I felt like that this presentation, although having some validity, did not fully reflect the benefit of our presentation.
Q Did you ask Mr. Myers how he arrived at the figure of $970,875 as the initial reserve fund?
A I think that is the difference between the bond issue or the certificate amount and the costs funded or the project amount funded.
Q And does that amount not fully capture the reserve fund?
A Well, if you look at the first 13 months

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here, what he's done is to assume that there's no out-of-pocket expense by the Police Commission until month 13. And in the summary's page that was on another document we looked at, that was one of the things that was referred to. It said that one of the benefits, other than what these numbers reflect, is there was no net payment until month 13.

And I think what that was intended to say was that the benefit of not having to be out-of-pocket any dollars until that 13th month plus the earnings that would be generated on those funds was not reflected in these numbers.

Now, the actual net -- well, the actual way the transaction was structured is that they were out-of-pocket some payments in the first 13 months, but they also had $3.7 million invested that generated over $400,000 a year through -- actually through 1997 the way the thing was finally completed. Whereas in this analysis, you'll see on 1411 he's given credit for a little over $8000 a month, which I guess would be what about a little less than a $100,000 a year, well below what actually

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they benefited from in the structure.

So I think that the way he presented this in terms of showing it not being out-of-pocket in the initial period was in part some way to illustrate the net result of the fund reserve, but in my view it didn't fully reflect that because it didn't fully reflect the benefit of the full term.

Q So page 1410 fails to reflect the full benefit of the amount of payments during the first 13 months of the project?

A That was my view.

Q And pages 1410 through 1412 taken together failed to reflect fully the ability of the state of Arkansas to earn interest on the debt service reserve fund?

A That was my view.

Q Are pages 1410 through 1412 inaccurate or incomplete in any other way?

A I don't think so. They appear to be a fair illustration of the cash flows based on the proposal, you know, the actual transaction worked out to be a little different. For example, the reserve fund

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interest rate was more than 10 percent. It was, I think, in excess of 10-1/2 percent.
Q And did that allow the state of Arkansas to earn even more money than is reflected in these pages?
A Correct.
Q Who made the decision regarding which underwriters to hire for the new radio system bond issue?
A The State Police commissioner.
Q Did Governor Clinton make that decision?
A No.
Q Did Governor Clinton's chief of staff make that decision?
A No.
Q Did anyone in the governor's office make that decision?
A No.
Q Do bonds typically -- strike that.
Do bonds issued by state agencies typically provide for semiannual payments of principal and interest to bondholders?

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A That's the standard structure.
Q Prior to May of 1985, did bonds issued by the state of Arkansas and agencies of the state of Arkansas typically provide for semiannual payments of principal and interest to bondholders?
A Yes.
Q Did the financing of the new radio system for the Arkansas State Police contemplate that the Arkansas State Police Commission would lease the new radio system and make lease payments to a lessor?
A Yes.
Q And how often was the State Police Commission to make those lease payments?
A They made payments monthly.
Q Did the legislation that authorized the acquisition and financing of the new police radio system specify how often payments of principal and interest to bondholders were to be made?
A No, I don't believe it did.
Q Was it your belief at that time that a structure that provided for semiannual payments of principal and interest to bondholders would be

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consistent with the legislation that authorized the acquisition and financing of the new police radio system?

A Yes.

Q Have you learned anything since that time that has caused you to change that belief?

A No.

Q Mr. Young, I'm going to show you a document that has previously been marked DKSN 018193 through 18199. I believe Mr. O'Callaghan showed this to you earlier as well.

(Witness reviewed the document.)

At the top of page 18193, it says "Act 817, 1985, a bill." And at the bottom of page 18199, it says "4/4/85 approved by governor," and there is a signature, "Bill Clinton. "

Do you recognize this document?

A Yes, it appears to be a copy of the authorizing legislation, Act 817.

Q Did you have occasion to look at this legislation in 1985?

A I'm sure we did. And as I testified

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earlier, we were involved with the drafting of this legislation.

Q I'm going to ask you to turn to page 18197 and I'm going to ask you to focus on lines 27 through 28, the sentence that begins on line 27 and ends on line 28.

(Witness reviewed the document.)

Did you have occasion to discuss that provision of the legislation, the sentence that begins on line 27 and ends on line 28 of page 18197, with anyone in 1985?

A Well, it came up in the State Police meeting where they made the decision to hire our team. I think we've talked about that earlier about one group interpreted that as an absolute requirement, as I recall, of making payments to investors on that basis.

Q Which group was that?

A That was the First Capital Resources group. At any rate, the one that included a fellow from Clayton Brown, as I recall.

Q Did the Raney/Hutton/Lasater group

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interpret that provision as requiring that payments to investors be made monthly?
A No, we did not.
Q Did other underwriting firms interpret this provision the same way that the Raney/Hutton/Lasater group did?
A I think they did. You know, the way I see this is it's just one part of the steps of the cash flows of the money from -- to get from folks that pay their driver's license to the bond account to make payments on bonds or certificates. I didn't -- we never interpreted that as having any requirement for a particular payment structured investor; there would be no purpose for that. This was just a step in the cash flow.
Q Which underwriting groups, other than the Raney/Hutton/Lasater group interpreted this provision the same way as did the Raney/Hutton/Lasater group?
A I think everybody else did such as Stephens, George K. Baum. I think Merrill Lynch presented a proposal. Dean Witter, several other firms. I think they received eight proposals, and I

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think that the only one that was structured -- there was only one structured that absolutely required monthly payments to investors.
Q Okay. What was E.F. Hutton in May of 1985?
A What were they? They were a large -- one of the big investment houses that had probably as much credibility in at least certain areas of public finance as any other firm. They were one of the big powerhouse Wall Street firms.
Q Were they one of the largest investment firms in the country at that time?
A I would characterize them as such.
Q Did they have one of the largest retail brokerage networks in the country at that time?
A They certainly did.
Q Did you believe that the presence of the E.F. Hutton firm within the Raney/Hutton/Lasater proposal helped make the proposal attractive?
A We did, we certainly did.
Q Why was that?
A Because of what you mentioned about their retail distribution. In any bond proposal, one of

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the big keys for an issuer is what interest rate they will end up paying and that has a lot to do with how effectively your team can distribute bonds.

And so a firm with a significant retail distribution network like E.F. Hutton's certainly can demonstrate that -- and then they also had a separate leasing unit that had already established their activity in public finance leasing. They had a strong relationship with the credit enhancers that we felt like would be required to make this transaction work.

And you know, ultimately, when a transaction is completed, I think they clearly demonstrated their support and contribution to the effort.

Q Does a greater ability to distribute bonds in an underwriting tend to allow an issuer to borrow money more cheaply?

A Yes, it does.

Q Why is that?

A Well, the bigger the sales force, the greater the potential demand for an issuer's bond;

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the greater the potential demand, the better price they can get for that bond which translates into a lower interest rate so a lower cost to borrow typically.

And a borrower that sells their product at retail gets a better price or a lower yield as opposed to some sort of an institutional sale.

Q Did any of the other proposals submitted to the State Police Commission contain the presence of a -- strike that.

Did any of the underwriting groups that were chosen to make oral presentations to the State Police Commission contain a national investment firm comparable to E.F. Hutton?

A I don't think so. I don't recall who was associated with George K. Baum or whether they were by themselves, but I don't believe so.

Q At the time of your meeting with David Moseley, was it your impression that the Arkansas State Police were seeking input from other investment firms regarding how to structure the financing?

A I felt that to be the case.

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Q Why was that?
A I knew what we'd discussed earlier, the fact that we were doing this was not a secret, and we'd already contacted Stevens -- or we had contacted Stevens about that time about partnering with them so we knew they were working on it, and we knew a transaction this size would certainly draw the interest of a variety of firms, as it did.
So I don't think I had any specific knowledge of anybody other than Stevens. I may have. It's clear from what happened that many had an interest in it.
Q Did anyone at Stevens, Inc. indicate to you or to anyone else at T.J. Raney that, you know, that Stevens, Inc. had been in contact with the Arkansas State Police regarding the financing of a new police radio system before the State Police Commission requested proposals?
A I think when we -- I know we knew that they had contacted the State Police. I don't remember how we became aware of that. It's quite possible I just asked David Moseley who else are you talking to, and

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he may have told me that. But we followed up our conversations with the Stevens representative, and he confirmed that they had certainly been following the transaction.
Q Did you feel that the information that you learned about Stevens, Inc. was secret in any way?
A No, I certainly didn't.
(Discussion off the record.)
BY MR. FEUER:
Q Did the Arkansas state purchasing office have a role in reviewing the proposals by underwriters submitted to the Arkansas State Police Commission?
A I think they did, and I think it was part of the statutory authority as I recall. Whether or not it was, it was assumed that they would have a role involved in the process. They not only were involved with the financing but also the purchase of the underlying equipment.
Q Did anyone from the Arkansas state purchasing office ever express to you the opinion that the Raney/Hutton/Lasater proposal was not the

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cheapest proposal for the state of Arkansas?
A I don't think so. I think the answer to that is no.
Q Did you consider the process employed by the police commission to select an underwriter to be a competitive process?
A Yes, I did.
Q Have the bonds issued by the Arkansas State Police Commission to finance a new radio system gone into default?
A No, they have not.
Q As far as you know, have investors received all payments of principal and interest that they are entitled to under these bonds?
A Yes, they have.
Q Were these bonds accompanied by an official statement?
A They were.
Q What is an official statement?
A An official statement is a term for a prospectus in the municipal market. It describes the transaction, security for the bonds, the revenue

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pledged and other issues or matters of relevance to what an investor is buying.
Q Did the official statement that accompanied the bonds issued by the Arkansas State Police Commission identify the underwriters of those bonds and provide some information about the underwriting contract between the State Police Commission and the underwriters?
A Yes.
Q Do the antifraud provisions of the federal securities laws apply to statements made in that official statement?
A It's my understanding that they would.
Q Were the bonds issued by the Arkansas State Police Commission reviewed by rating agencies?
A They were rated, but they were rated based on the guarantee provided by FGIC, a bond guarantor. They were rated AAA by both S&P and Moody's based on their guarantee.
Q As part of that rating process, would S&P and Moody's have had occasion to review the underwriting arrangements between the Arkansas State

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Police Commission and the underwriters?
A In that particular transaction they probably didn't do much of a review on the specific transaction. They generally get acquainted with the transaction, rely primarily on the underwriting of FGIC, but I don't think rating agencies really ever have a lot of interest in underwriting relationship with an issue anyway. In 1992 these bonds actually were refunded. We refinanced those bonds and we did those based on a rating by S&P on a stand-alone basis without insurance. So ultimately they were rated independently on their own merit when we did refinancing transaction in 1992.
Q Was that refinancing transaction entered into in 1992 because of a change in interest rates between 1985 and 1992?
A Yes.
Q And what was that?
A Rates went down significantly, and so just like a number of issuers, the State Police Commission was able to refund its outstanding debt and lower its net debt service.

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MR. FEUER: I have no more questions at this time.

EXAMINATION

BY MR. O'CALLAGHAN:

Q I have a couple follow-up questions. It won't be long.
A Okay.
Q Mr. Feuer had asked you if you'd been told that in order to get the contract, asked if you'd been told by anyone at several agencies including the governor's office whether in order to get the contract you'd have to join a partnership with Lasater & Company.
And you said that you don't remember anyone saying that to you. But did Mr. Drake ever tell you that your group had an inside track on getting the contract?
A I don't know what you mean by "inside track."
Q Did he ever express to you any kind of an advantage that your group had on getting the contract due to any position that Lasater & Company enjoyed

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with regard to state government?
A You know, I don't think that anybody told us anything about our merits of our ultimate proposal. The only thing I ever recall anybody saying was that if we had the best proposal, we should get the transaction. And I think that's what if Michael Drake ever said anything to me about conversations he had with anybody else whether it was governor or legislator, that's the only thing that I ever recall him telling me. If we had the best deal we'd get the deal. That's the way it should happen.
Q Just so I'm clear, he didn't relate to you that your group had an advantage over the other groups due to relationships that anyone at Lasater & Company had with anyone in the state government?
A You know, I think we knew that Lasater had been a political supporter of Clinton and we didn't think that was a negative, but we had too and we didn't think that was a negative either.
Q Did he ever make comments to that effect?
A That because of their relationship they had a lock on the business is that what you mean?

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Q Had an advantage over the other firms competing or potential advantage?
MR. STRASSER: You are asking him did Drake tell him this or are you asking him to report whether Drake said to him that Lasater has an advantage because of Lasater's relation with state officials, is that the question you are asking him?
BY MR. O'CALLAGHAN:
Q I'll ask -- that question is fine if you respond to that.
A What, respond to his? You know, he may have indicated that he felt like they would be favorably received or, you know, that people would discuss with him the merits of the presentation. But, as I recall, the only thing that we ever felt like we had a commitment to, no matter where it came from, was that if we had the best deal we should be selected. We were probably more concerned that if we did have the best deal we wouldn't be selected.
Q You stated earlier that the debt service reserve fund -- I'm sorry, did you say earlier that the debt service reserve fund gained interest?

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A Yes.
Q Were any of those funds invested in any securities?
A Yes.
Q And who were they invested through, what firms?
A We -- both our firm T.J. Raney and Lasater handled the execution of the investment of the construction fund and the debt service reserve fund.
Q What percentage of those funds were invested in securities?
A I think all of them were invested in securities. It was the construction fund was invested in U.S. government Treasury strips is what they're called which are essentially discount securities. And then the debt service reserve I think were in, was invested in agency securities, farm credit agencies as I recall.
Q Did the State Police Commission pay fees to Lasater & Company and T.J. Raney for managing that money?
A We earned a fee just like any other

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securities transaction, that was built into the price of the securities.
Q Did that include commissions?
A That would -- you know, it was typical markup for securities sold on principal basis.
Q Do you remember what the rate of the markups were on those?
A I do not recall. I do not recall.
(Discussion off the record.)
BY MR. O'CALLAGHAN:
Q With regard to proposals, the proposals that were -- the proposal that you submitted to the Arkansas State Police Commission, was that hand-delivered?
A I don't recall, but that was probably what we did.
Q Is that typically what you did with proposals?
A Well, if it's for somebody that's in town, you know, that's not unusual.
Q Do you ever send those through the mail?
A Rarely would we send one through the mail.

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We'd probably send it overnight, Federal Express or some method like that where we had a little bit better control over where it is.

Q Is that a common practice in the industry?

A I would say so.

Q Okay. Mr. Feuer asked you earlier if you were aware of whether all the proposals were submitted on the same day. As far as you know, they're all submitted on the same day?

A It's rare for proposals to be submitted in advance of when they're due.

Q Mr. Feuer asked you earlier if any other national firms were involved in submitting proposals as a part of a group and you said you weren't sure whether --

MR. STRASSER: That's not what he asked. He asked of the four who made oral presentations were there any national firms involved in those other than Hutton.

BY MR. O'CALLAGHAN:

Q Okay. With regard to the four that gave proposals, oral presentations, to the Committee, are

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you aware was one of those firms Dab Sullivan?

A Dab Sullivan division of George K. Baum, George K. Baum was the firm.

Q Is George K. Baum a national firm?

A I think probably they would be better characterized as a regional firm.

Q Mr. Feuer asked you earlier when you became aware when other firms were interested in doing the financing for the radio network.

Do you know when the Lasater & Company firm first expressed an interest to the State Police that they were interested in doing the financing?

A I do not.

Q Do you know if it was before your meeting with Mr. Moseley?

A I do not.

Q Did Michael Drake ever tell you when he first contacted anyone at the State Police with regard to doing the financing for --

A If he did, I don't recall what he said.

Q Did he tell you when he first contacted anyone at the governor's office with regard to doing

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financing for the radio project?
A I don't recall.
MR. O'CALLAGHAN: I have no further questions at this time.
EXAMINATION
BY MR. FEUER:
Q I've got about two minutes worth. Mr. Young, do you know whether any individuals associated with any of the underwriting firms that submitted proposals to the Arkansas State Police Commission other than the Raney Hutton and Lasater firms were political supporters of Governor Clinton?
A I think they were, you know, I assume that they were, probably that worked for a variety of firms that were supporters of Clinton. I think Dubie Sullivan was probably a supporter of Clinton.
Let's see, I don't know about the First Capital Resources group, but I'm sure that there were, I know that Edwards and Merrill Lynch, Dean Witter all of them had local offices in Arkansas. And I don't know from personal knowledge, but I would assume that, you know, they all included some people

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that supported Governor Clinton.
Q Were the construction funds and debt service reserve funds invested in securities that carried the full faith and credit of the U.S. government?
A The construction fund was, but the debt service reserve was actually in an agency security that, you know, has the implied backing of the U.S. government, but it doesn't involve the full faith and credit.
Q Are you referring to -- when you refer to agency securities, are you referring to securities that are issued by an agency of the U.S. government?
A Such as Federal Farm Credit, Federal Home Loan Bank, Federal National Mortgage Association, anything other than the U.S. government itself and agencies like SBA and GNMA and that sort of thing. There are certain things that involve full faith and credit and certain others don't. There is a little step down, but still involve a very high perception of quality.
Q Are construction funds and debt service

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reserve funds for public infrastructure projects typically invested in Treasury securities and federal agency securities?

A It depends upon the state law and the permissible investments. For example, state law has a much shorter list of eligible investments for cities and counties in Arkansas but state agencies can do a little bit more than what cities and counties can do. It just depends upon the relevant law.

Q Is it unusual for construction funds or debt service reserve funds associated with public infrastructure of projects to be invested in U.S. government securities or federal agency securities?

A No, that's just one of the things you see quite a bit.

Q Are the markups that brokers charge on Treasury securities and federal agency securities typically equal to markups on other kinds of securities or greater or smaller than markups on other kinds of securities?

A Generally government securities have a

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lower markup, and I feel like I'm certain that the markups in this particular transaction were comparable to how the securities would have been sold to other investors whether it be financial institutions or pension funds or whatever. So this was just really it was something a little separate from the structuring the bond issue, but it's not unusual for an underwriter or an investment banker to assist the issuer in investing its funds.

And in this particular transaction it was probably more important than others because the capturing a higher rate reduced the net cost and it was very critical for the State Police Commission to be able to keep its debt service below a certain level. And, you know, if we invested in something that was shorter term we would have earned less interest and net debt service would have been less than it ended up being. So that was a critical feature of the transaction that was implemented.

MR. FEUER: I have nothing more.

EXAMINATION

BY MR. O'CALLAGHAN:

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Q I have one more question. In response to a question Mr. Feuer asked you, you said you believed that Dubie Sullivan was a supporter of Governor Clinton?
A I thought he was.
Q Are you aware of whether any of the people associated with any of the underwriters provided any loans to Governor Clinton's brother Roger?
A I am not familiar with anything like that.
MR. O'CALLAGHAN: Okay, thanks. That's all I have.
MR. STRASSER: Hang on a second.
(Witness conferred with counsel.)
MR. STRASSER: Only thing that concerned me after an exhaustive deposition is it was not clear to me that it was clear on the record how it was that Raney came to pay Mr. Myers. And I think to clarify that, Mr. Myers got paid after the transaction was done. There was no prior discussion about paying Mr. Myers, nobody asked Mr. Young to pay him. Nobody raised the question of paying Mr. Myers. This is something after the fact Mr. Young decided ought to

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be done rather than having Mr. Mitchum foot the bill permanently. He just thought this is something that ought to happen. That's how it happened. It wasn't clear to me that it was clear on the record from Mr. Young's testimony.
BY MR. O'CALLAGHAN:
Q Okay. And is it your testimony that it was your idea to pay Mr. Myers?
A Nobody asked me to. I simply volunteered to do so after the fact.
Q Did the funds for the payment come out of T.J. Raney accounts?
A I think they did, I think it did, as I recall we just simply made the payment to Jack Myers with a check from T.J. Raney.
EXAMINATION
BY MR. FEUER:
Q One question. Did you make any attempt or are you aware of any attempt made by anyone else to hide or disguise that payment on the books of T.J. Raney?
A No.

(Whereupon, at 6:08 p.m., the deposition was concluded.)

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PAUL B. YOUNG, JR.

CERTIFICATE OF NOTARY PUBLIC & REPORTER 164

I, PATRICIA A. ZUBER, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Patricia A. Zuber

Notary Public in and for the
District of Columbia

My Commission Expires FEBRUARY 14, 2000

# DEPOSITION OF JAMES L. RUTHERFORD IN RE: S. RES. 120

THURSDAY, FEBRUARY 29, 1996

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER
DEVELOPMENT CORPORATION AND RELATED MATTERS,
*Washington, DC.*

Deposition of JAMES L. RUTHERFORD, called for examination pursuant to notice of deposition, at 9:05 a.m. in Room 534 of the Dirksen Senate Office Building, before BRENDA M. SMONSKEY, a Notary Public within and for the District of Columbia, when were present:

ALICE S. FISHER, ESQ.
Majority Deputy Special Counsel
NEAL E. KRAVITZ, ESQ.
Minority Principal Deputy Special Counsel
LANCE COLE, ESQ.
Minority Deputy Special Counsel
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Building
Washington, DC 20510
On behalf of the Committee.

LESLIE M. BERGER, ESQ.
Zuckerman, Spaeder, Goldstein, Taylor & Kolker
1201 Connecticut Avenue, NW
Washington, DC 20036
On behalf of the Deponent.

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PROCEEDINGS

MS. FISHER: Good morning, Mr. Rutherford. My name is Alice Fisher. I am the deputy special counsel for the Majority. To my left is Neal Kravitz, who is principal deputy special counsel for the Minority.

This deposition today is being conducted pursuant to Senate Resolution 120. I don't know if you and your counsel have had a chance to review it. The Resolution establishes a Special Committee administered by the Banking Committee to conduct an investigation involving Whitewater, Madison Guaranty Savings & Loan, Capital Management Services and other related matters.

Section 1(b)(2) of Senate Resolution 120 authorizes an investigation and public hearings into several issues which will be the focus of today's deposition. This deposition is in advance of public hearings which are ongoing.

At this point, I have no idea if you will be called to testify but you will be notified if you will be.

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I will ask you a series of questions and ask that you testify under oath. If you don't understand a question, let me know, or if you want a break, let me know.

The stenographer will prepare a record of questions and answers and the deposition will be treated as committee confidential until the commencement of public hearings.

Prior to the hearings, if you are called to testify, you will receive a letter from the Committee saying that you may come and fill out an errata sheet. If you are called to testify, you will be able to have a copy of your deposition four days prior to any testimony.

If your counsel would like to state an appearance for the record.

MS. BERGER: Leslie Berger for Mr. Rutherford.

MR. KRAVITZ: Off the record.

(Discussion off the record.)

Whereupon,

JAMES L. RUTHERFORD

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was called as a witness and, having first been duly sworn, was examined and testified as follows:

EXAMINATION

BY MS. FISHER:

Q State your name, please.

A James L. Rutherford. I go by Skip.

Q Give us an idea of your employment history, briefly.

A I graduated from the University of Arkansas in 1972 and began my professional career with Southwestern Bell Telephone Company. I worked there for a couple of years, and in 1974 I joined the staff of McElroy Bank and Trust in Fayetteville, Arkansas, as a director of public relations. I worked there from 1974 to 1978, when I joined the staff of Senator David Pryor of Arkansas as a director of his Arkansas office and worked there from 1979 to 1984.

In 1984, I became vice president at Arkansas-Louisiana Gas Company, and I worked there until late 1992, when I joined the Clinton-Gore

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campaign in Little Rock as a special assistant to the campaign manager.

Following the campaign, I worked in the Clinton-Gore transition in Little Rock until the inauguration, at which point I joined the public relations and communications firm of Cranford, Johnson, Robinson, Woods, where I am now senior vice president and have been employed there since that time.

Q When you were vice president at Arkansas-Louisiana Gas Company -- is that Arkla?

A Yes. Arkla is the parent company. That is sort of the generic term. That's fine.

Q What were your responsibilities there?

A For the most part, public affairs, press and public relations. I coordinated some government affairs activities, but for the most part, my major responsibility was press and public affairs.

Q Who did you report to there?

A I reported to Mack McLarty.

Q What was his position at Arkla?

A He began there, I believe his first title

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was chief operating officer, and he later moved to chief executive officer. I believe that was in 1985 when he was named chief executive officer.

Q As special assistant to the campaign manager of the 1992 Clinton-Gore campaign, what generally were your responsibilities and duties?

A My major responsibilities centered in two areas. One was in -- there were several toss-up states in the campaign that could have gone either way between President Bush and Governor Clinton. There were people in the campaign who were assigned to focus on those toss-up states, and we developed state-by-state strategies for toss-up states. I worked in that area. That was primary -- that was my major assignment.

The secondary thing I did was help coordinate a group called the Arkansas Travelers, who were a group of Arkansans who traveled across the country in support of the campaign.

Q When did you join the campaign?

A To the best of my recollection, I believe it was in September of '92.

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Q Of '92?

A Yes.

Q Did you do any volunteer work or anything for the campaign prior to September of '92?

A Yes.

Q What type of work did you do as volunteer work? The same type?

A A variety of volunteer work. Fundraising, going to events, just general volunteer work, nothing specific, just general whatever, stuffing envelopes.

Q Whatever needed to be done basically?

A Whatever needed to be done, yes.

Q As special assistant to the campaign manager, who did you report to directly?

A I reported to David Wilhelm.

Q Was there anybody that reported to you?

A No.

Q During the campaign, did you perform any activities or were involved in anything related to Whitewater Development Corporation matters?

A Not in a substantive way. I was aware of it from a press perspective when the stories started

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appearing in the press, but I did not -- it was not in my area of work or responsibility, so I did not participate in any Whitewater-related matters.

Q Did you participate in any meetings where Whitewater was discussed?

A I don't recall participating in any meetings. I do recall being asked about it by members of the press, but I don't recall participating in any meetings where it was discussed.

Q When you were asked about it by the press, what would you generally do? Would you respond to them or would you send them to someone else?

A In the vast majority of cases where there was more than a question of what is Whitewater, if someone needed an answer to a specific point, I would refer them to the press office or to Betsey Wright, who was working in that response area.

Q Was there anyone outside the campaign working in that response area?

A There probably were, and I'm not sure. I'm not familiar enough with that section to tell you who all may have been working on that at a particular

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time or place. I just know Betsey Wright was there.

Q Prior to joining the '92 campaign, were you aware that the Clintons were business partners of Jim and Susan McDougal?

A I don't believe I was aware of that. I didn't know anything about the Clintons' business dealings until it appeared in the press.

Q How long had you known President Clinton?

A I met President Clinton for the first time, as I recall, in 1974 when he was running for Congress. I believe that was the first time that I actually met him. So, we knew each other from that point on.

Q Did you work on any other campaigns?

A Actually, no. Prior to the 1992 campaign, I had been working on David Pryor campaigns and was pretty much confined to that area. I may have volunteered and certainly supported President Clinton, but in terms of actually working on the campaigns, no.

Q Did you ever work with President Clinton when he was governor in the governor's office on any

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matters dealing with your job at Arkla?
MR. COLE: Do you mean work on official state functions or in his capacity as a private employee with the governor's office?
MS. FISHER: A totally awfully phrased question, and I apologize.
BY MS. FISHER:
Q When you were the vice president at Arkla from '84 on, did you ever have occasion to work with the governor's office on any matters?
MS. BERGER: The governor's office?
MS. FISHER: Yes.
THE WITNESS: I'm sure we did on various legislative initiatives, but I can't recall any specifics. It would not have been uncommon for us to have worked together on a common initiative or to have been on opposite sides on the initiative, but I don't recall specifically what that might have been. I would have to think about that and I don't recall any off the top of my head.
BY MS. FISHER:
Q While you were on the 1992 campaign, did

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you have occasion to work on any matters related to Madison Guaranty?
A While I was on the campaign?
Q Yes.
A No. My only contact with Madison Guaranty was again from press inquiries.
Q And it would be the same thing, you would send them to someone else?
A Right. The questions would range from very technical in nature to where is the Madison Guaranty building. If someone asked me where was the Madison Guaranty building, I would say it is down on Main Street. But if it was a technical question in nature about transactions, I would say you need to talk to someone else. Let me be clear that I did give directions to the Madison Guaranty building to several members of the press.
Q Who on the campaign would you have directed it to?
A I would have directed it either to the press office or to Betsey Wright's office. I do not know the names or remember the names of people who

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worked in those offices. There were several people working in those offices. I just referred them to the generic offices.

Q Would the same be true of issues related to Jim McDougal that were raised during the campaign?

A Yes. Anything related to that is what I would have done if I could not answer the question.

Q Did you know Mr. McDougal prior to the '92 campaign?

A I met Mr. McDougal when he ran for Congress. I shook his hand once at a rally. I knew him through television appearances and through his appearances in the media, but I did not know him personally. I think he would recognize me and I would recognize him, but I don't know him personally.

Q Other than that one time, you have never spoken to him?

A To my knowledge, unless it was at some event that I simply do not recall, but I have never had a substantive discussion with Mr. McDougal. I just don't know him that well.

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Q Would the same be true for Susan McDougal?

A I may have met Susan McDougal at some social function years ago. I certainly have seen her picture on television and in the newspaper, but I do not know her.

Q Did you have any discussions or meetings related to issues involving the Rose Law Firm during the 1992 campaign?

A No, other than, again, there was a lot of press interest in the Rose Law Firm, and I would periodically direct people to where the Rose Law Firm offices were. I could go into that at great detail. I could tell you there were a lot of people that wanted to come take a picture of the building, there were a lot of television newscasters who wanted to get file footage of the Rose Law Firm. There were people that would camp out there all day waiting to see people walk in and out of the Rose Law Firm.

It was not unusual for somebody to say could you direct me to the Rose Law Firm. I did that.

MR. COLE: I think someone should develop a

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Whitewater map of Little Rock, all the hot spots.
MR. KRAVITZ: I think you are the man, Lance.
THE WITNESS: When we take a break, I will tell you some funny stories. You will be surprised at some of the places people are wanting to visit.
Yes, the question, did I get questions, the answer to that is yes. If there were specific questions, I would refer them to the press office.
BY MS. FISHER:
Q Were you personally acquainted with the First Lady prior to the 1992 campaign?
A Yes.
Q Could you tell me when you first met her and what the nature of the relationship was.
A Sure. I believe the first time that I met Mrs. Clinton was during the 1974 Congressional campaign. Over the years, I got to know her better, particularly when I was working on Senator Pryor's staff and Governor Clinton was governor, because we both had a very strong interest in education, and we would talk frequently, regularly about

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education-related issues.
Actually, from a personal perspective, Chelsea Clinton and my daughter played in the same summer softball league, I believe in the spring and the summer, called the Hillcrest Softball League. One year they were on the same team. So, like most parents when their children were participating in sports, we would go to the ball games.
So, we found ourselves sitting together many occasions at the ballpark rooting for our children. You could bond at the ballpark, as parents do, and that is exactly what happened. On many occasions, the Clintons, both the Governor and the First Lady, but if the Governor was out of town, the First Lady was there, and we would frequently talk at the ballpark, mostly about baseball and softball, but we developed a personal friendship through our children.
Q During the 1992 campaign, did you become aware of issues involving the Rose Law Firm preferred stock, the Arkansas Securities Commission and Beverly Bassett Schaffer?

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MS. BERGER: Wait a minute.
BY MS. FISHER:
Q I want to try to roll it all up in the same thing.
MS. BERGER: Are you asking if he learned about it through the press?
MS. FISHER: Yes, if he became aware.
THE WITNESS: Well, I became aware of Whitewater during the 1992 campaign. I believe it was Jeff Gerth who wrote the first story. I certainly became aware of the issue in general. Whether I became aware of every little detail, I don't recall and don't remember, but I was aware of the issue because it became a major press story.
BY MS. FISHER:
Q Did you become aware of an issue relating to Beverly Bassett Schaffer during the 1992 campaign? I will try to be more specific.
A Well, I don't recall when I became aware of that issue. I certainly knew of that issue and probably learned about it from the press. I don't exactly know when. I would think when the story

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first appeared in the press would be the likelihood of when I first became aware of the story, and I don't know what time that was.
Q Did you have any discussions with anyone about Beverly Bassett Schaffer during the 1992 campaign?
A I don't recall having any discussions during the 1992 campaign about Beverly Bassett Schaffer.
Q Do you recall speaking to Ms. Schaffer about her press statements or any other issues during the 1992 campaign?
A Do I recall speaking to Ms. Schaffer during the time period of the '92 campaign?
Q Yes.
A No, I don't recall that, although it is possible that I could have talked to Beverly Bassett Schaffer because we have been friends for over 25 years. But I don't recall talking specifically about her statements.
Q Do you recall speaking to her with regard to Madison Guaranty Savings & Loan?

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MS. BERGER: During the campaign?
MS. FISHER: During the campaign.
THE WITNESS: As I said, I don't recall speaking to her during the campaign, but it is possible that we could have discussed a press story which might have appeared based on our friendship. But I don't recall any -- I don't remember that, I don't recall it. But it could have been possible that we might have talked.
BY MS. FISHER:
Q Did there come a time after the 1992 campaign where you did speak to Ms. Schaffer regarding Madison Guaranty?
A I don't recall talking to Beverly Bassett Schaffer, although it is possible. She might have gotten on the phone during one conversation that I had with Archie Schaffer about Whitewater. I define Whitewater as all-encompassing.
Q When did that conversation with Archie Schaffer take place?
A I don't recall the date, but I do recall the incident. Beverly Bassett Schaffer had been

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stalked, and Archie and I were discussing that on the phone. He told me how upset he and his family were and that he had taken a picture of the stalker and was releasing it to the press.
He asked me if I knew anything, if I had ever heard of anybody being stalked like that, and I responded no.
It was during that conversation that Beverly might have gotten on the phone. I don't remember. I remember that he was upset and said she was upset. I simply don't recall whether I talked to her at that time, but it was around the time that she was stalked, and subsequently that incident did appear in the press. I don't remember the date, but I do know it was in the press.
Q Would it be consistent with your recollection if that occurred sometime in December 1993, January 1994? Would that be around the time?
A I would think that would be appropriate, around that time. I just don't know the specific date.
Q Now, did you call Mr. Schaffer or did he

call you?
A I don't recall who made the phone call at that particular time. My assumption is, and it is only an assumption, that he called me to inform me about the stalking, but I simply don't remember.
Q Did anyone ask you to call him?
A No.
Q Do you recall reporting your conversation to anyone?
A I don't recall reporting it to anyone. I recall that it was reported in the press and became a topic of widespread discussion among a lot of people, including other members of the press, but I don't recall reporting it to anyone.
Q Did you have any other conversations with Mr. Schaffer?
A I did. I had another conversation sometime later. The context of that conversation was, again, Mr. Schaffer was relating to me, as I recall, three major concerns. One was the stalking. The second was the overwhelming volume of press calls that they were receiving, both at work and at home. The third



was some misleading, not factual, erroneous press accounts from their perspective that were appearing. In that context, we talked about how to respond to those overwhelming press calls and what he thought were erroneous press reports.
In that discussion, the subject of a press conference came up. I don't know whether I initiated it or whether Mr. Schaffer initiated the press conference idea.
MR. COLE: When you say a press conference, do you mean Ms. Schaffer giving a press conference?
THE WITNESS: Yes, Ms. Schaffer giving a press conference.
BY MS. FISHER:
Q What was that discussion about the press conference?
A The discussion about the press conference was again in the context that she was being deluged, that they were being deluged with press calls and that they felt like many of the stories were not accurate or were not completely factual.
In the discussion that Archie and I were

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having, we brainstormed about one way to deal with that, to deal with the volume of the press calls, plus concern about erroneous reports, was to hold a press conference.

In that discussion, I said to him, as we were both going back and forth brainstorming, I said this is something that you should think carefully about before you do it, you should feel totally comfortable about holding a press conference, it should be something that you all are very comfortable with on your own, because it may or may not be a good idea.

And secondly, if I were you and were going to hold a press conference of this magnitude, then I would consult a Paul Begala or a Paul Begala type who had had experience in national press matters to get their counsel before doing this because I or anybody I knew did not have that kind of experience to deal with the huge volume and huge national interest that this issue had generated.

Q Who initiated this phone call, you or Mr. Schaffer?

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A I do not remember who initiated the phone call. I just remember that the press conference idea came up in the context of his concerns about the stalking, the overwhelming volume and the erroneous reports.

Q So, to the best of your recollection, Mr. Schaffer is the one that raised the idea of a possible press conference?

A No, I didn't say that. I said I don't know whether it was him or me. I can't remember. We were brainstorming about how to deal with this issue. But when the issue was raised, I said you need to think through this very carefully because of the huge national interest and as someone who had not had any experience in dealing with a national press conference.

Q Had you spoken to anyone about a possible press conference by Beverly Bassett Schaffer prior to this phone call with Archie Schaffer?

A To the best of my recollection, I don't recall the specifics of the discussion about a possible press conference. No one asked me, to the

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best of my recollection, to contact Beverly Bassett Schaffer about a press conference. I could have had discussions with people about the Beverly Bassett Schaffer press issues because they were certainly in the forefront of the press. But no one asked me that I can completely recall, to the best of my recollection, no one ever asked me to contact Beverly Bassett Schaffer.

Q At the end of this conversation with Mr. Schaffer, was there any decision made as to what the next step was?

A No. In fact, I think -- I believe his response was, well, let us think about that.

Q Did you have a subsequent conversation with him?

A I don't recall him -- he may have told me that they decided not to have one. I don't recall that. It is possible that that could have occurred. I didn't feel any obligation that he had any obligation to call me back, because, again, we were brainstorming and it was not "I'm expecting an answer."

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MR. KRAVITZ: Excuse me one second. Did you testify when this conversation with Mr. Schaffer occurred, the one in which a possible press conference by Ms. Schaffer was discussed?

THE WITNESS: She asked me if I knew the time, and I told her I didn't recall the exact time.

BY MS. FISHER:

Q It was sometime after the first conversation?

A It was afterwards, because the subject of the stalking had come up. So, I knew it was after that. The stalking was one of the three issues.

Q Do you recall how shortly after? Was it in the same month, weeks?

A No. I would imagine it was in that time period that you outlined, but I simply don't recall that. .

MR. KRAVITZ: You mean December '93, January '94?

THE WITNESS: I think it was in that time period, because that's when the Beverly Bassett Schaffer press siege was underway. But I don't

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recall the exact time.
BY MS. FISHER:
Q Do you recall talking to anyone about this issue, about this issue of a press conference after your discussion with Archie Schaffer?
A I do not recall that at all.
Q Do you recall discussing Beverly Bassett Schaffer or issues surrounding Beverly Bassett Schaffer with anyone after this conversation with Mr. Schaffer?
A It is possible that I discussed issues about Beverly Bassett Schaffer with others if they appeared in press reports, because frequently people would call regarding press issues. But I do not recall the specifics of any conversation.
Q Did you have any conversations with anyone at the White House?
MS. BERGER: About?
MS. FISHER: About Beverly Bassett Schaffer.
MS. BERGER: At any time?
MS. FISHER: I will ask first in this time

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period, since this is what we are focusing on.
MS. BERGER: Wait a minute. Did he have any conversations with anyone at the White House during this time period on any subject?
MS. FISHER: Relating to Beverly Bassett Schaffer.
THE WITNESS: It is possible that I had conversations related to Beverly Bassett Schaffer. I do not recall the specifics. I do recall that to the best of my recollection, no one at the White House ever asked me to contact Beverly Bassett Schaffer.
BY MS. FISHER:
Q Do you recall discussing with anyone at the White House that you were going to contact her?
A I do not recall discussing with anyone at the White House that I was going to contact her.
MR. KRAVITZ: Just so the record is clear, I don't think there is any evidence that Mr. Rutherford did contact Ms. Schaffer or ever had an intention of contacting Ms. Schaffer. There has been testimony about conversations with Mr. Schaffer. I want to make sure there is nothing

misleading in our record.
MS. BERGER: Just to follow up on that, his testimony is clear that he doesn't know if he contacted Mr. Schaffer or if Mr. Schaffer contacted him.
MS. FISHER: Sure, sure. I didn't mean to imply anything.
BY MS. FISHER:
Q I just asked did anybody ask you to do that and then did you discuss that you were going to do that.
A No, I did not.
MR. KRAVITZ: Can I just ask --
MS. FISHER: Yes.
MR. KRAVITZ: I think it may be appropriate to ask one clarifying question. You have testified that no one at the White House, at least in this time period, December '93-January '94, ever asked you to contact Beverly Bassett Schaffer?
THE WITNESS: To the best of my recollection, that is true.
MR. KRAVITZ: Did anyone at the White House

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during that same time period, December '93 through January '94, ever ask you to contact Archie Schaffer about Beverly Bassett Schaffer?
THE WITNESS: To the best of my recollection, no.
MR. KRAVITZ: Did anyone at the White House during that time period ask you to contact Ms. Schaffer through any other third person?
THE WITNESS: Mr. Kravitz, to the best of my recollection, no.
MR. KRAVITZ: Thanks, Alice.
MS. FISHER: Sure. I appreciate that.
BY MS. FISHER:
Q I may have already asked this, but did you discuss with anyone at the White House your conversations with Mr. Schaffer?
MS. BERGER: After they occurred?
MS. FISHER: Yes.
THE WITNESS: Alice, to the best of my recollection, I don't recall doing that, although it is possible that I might have said I talked to Archie Schaffer today and Beverly Bassett Schaffer is very

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upset about the stalking, about the volume of press calls and about the erroneous press reports. But I don't recall doing that. I don't remember doing that at all.

BY MS. FISHER:

Q Is there any one in particular or more than one person that you had contact with at the White House during this time?

MS. BERGER: This time is?

BY MS. FISHER:

Q Take December '93 to February '94.

A May I clarify that question?

Q Yes.

A On the subject -- on any subject?

Q Yes.

A The answer to that question is probably during that particular time period the person that I had the most contact with would be Mack McLarty.

Q Is there anyone other than Mr. McLarty at the White House that you would have contact with or that you would have reason to have contact with during December '93 to February '94?

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A I could have talked to several people about a variety of different issues related to the press. People would frequently sometimes call me about an article which appeared in the press and ask me to send them a copy of that article. So, I would say that it is possible that I could have talked to several people during that particular time about a variety of issues.

MR. COLE: When you say articles that appeared in the press and they asked you to send them copies, are you referring to the local press, the Little Rock newspapers?

THE WITNESS: That's right, and the Arkansas press, non-Little Rock papers.

BY MS. FISHER:

Q Do you recall any discussions with Mr. McLarty during December 1993 to February 1994 with regard to Madison, Whitewater or Beverly Bassett Schaffer?

A I do not recall any discussions with him regarding those subjects, although it is possible we may have discussed a press article. But I don't

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recall any discussions with him about Beverly Bassett Schaffer.

Q What about Madison Guaranty?

A Same.

Q And the same would go for Whitewater?

A Yes.

Q Did you have any discussions with Bruce Lindsey in this time period with regard to anything related to Whitewater or Madison?

A I think the same answer would apply to Mr. Lindsey that applied to Mr. McLarty, that I may have discussed with him articles which appeared in the press, but I don't recall having any specific conversations with him about Whitewater or other related subjects. We could have discussed -- it is possible we could have discussed an article which appeared in the press. That would be possible.

Q Do you recall having any discussions with anyone in the White House counsel's office during this time period?

MS. BERGER: Can you tell him who that would be. I don't think he would know.

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MR. KRAVITZ: I think you ought to -- I don't know whether you are intending your question also to be limited as to subject matter. If it is not, I object.

MS. FISHER: I'm just trying to get the flow going, Neil.

THE WITNESS: You are talking about the Whitewater-related stuff?

BY MS. FISHER:

Q Yes, Whitewater, Madison, Beverly Bassett Schaffer.

That would be Neil Eggleston?

A I don't recall.

Q Bill Kennedy?

A I don't recall any of those specific conversations. But Alice, it is possible, again relating to a press story in Arkansas, that someone could have called and said there was an article in the press that I am interested in, could you please fax me a copy of that article or read me a copy of that article or Xerox me a copy of that article.

So, that would not be uncommon.

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Q Let me ask you this. In your present position as senior vice president of Cranford, Johnson, Robinson & Woods, do you have regular dealings with the White House? Do you work for them in any capacity?
A I do not work directly for the White House in any capacity, but I do have regular dealings because of my long association with Mr. McLarty and the fact that Mr. Lindsey and I worked together on Senator Pryor's staff.
Q Do you visit the White House on occasion?
A Yes.
Q On a regular basis?
MS. BERGER: What do you mean by "regular"?
BY MS. FISHER:
Q You tell me. How often do you go?
A I don't recall, Alice, the last time I was at the White House.
Q Why don't you tell me like late '93, early '94.
A I spent more time in '93 at the White

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House.
MS. BERGER: She asked you about late '93 to early '94.
MR. KRAVITZ: If you remember.
THE WITNESS: I don't recall exactly, but I did spend some time at the White House during that period.
BY MS. FISHER:
Q Do you recall being at the White House in January 1994?
A Sitting here today, I don't recall exactly when I was at the White House. But it is possible that I was there. But I don't recall the dates.
Q If you were at the White House, when you were at the White House in this time period -- again, I want to focus on December 1993 to February 1994 -- did you have any discussions with anyone at the White House with regard to Whitewater?
MS. BERGER: Wait a minute. You are asking him from December '93 to February '94 if he recalls having discussions with people physically at the White House about Whitewater?

MS. FISHER: Yes.
MS. BERGER: I don't think he can answer that question given that he said he doesn't recall whether he was at the White House during that time period.
MS. FISHER: I misunderstood. I thought he said he didn't know how often he was there.
MS. BERGER: You can clarify, but I think he said that he wasn't certain if he had been at the White House December '93 to February '94, because he couldn't pinpoint dates sitting here today.
MS. FISHER: All right. I apologize.
BY MS. FISHER:
Q Have you ever been present at the White House physically and had a discussion with anyone at the White House with regard to Whitewater?
MS. BERGER: At any time?
BY MS. FISHER:
Q At any time.
A I don't recall having a Whitewater discussion at the White House, although it again is possible that in relation to a press article or to an



article which appeared in print that I might have.
Q Did you ever attend any meetings at the White House where Whitewater, Madison or Mr. McDougal were discussed?
A I don't recall ever attending a meeting on those subjects.
Q Do you recall being at the White House and having any discussions related to Capital Management Services or David Hale?
A I don't recall that.
Q Do you recall having any discussions with Betsey Wright relating to Beverly Bassett Schaffer?
MS. BERGER: At any time?
MS. FISHER: Yes.
BY MS. FISHER:
Q At any time.
MR. COLE: He testified he may have referred some press inquiries to her during the campaign. Are you focusing post-campaign?
MS. FISHER: I'm focusing other than press inquiries.
THE WITNESS: I don't recall having

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conversations with Betsey Wright other than press-related matters.

MR. KRAVITZ: You mean on any subject?

THE WITNESS: No. On Beverly Bassett Schaffer.

MR. KRAVITZ: You were right, that is what the question was.

THE WITNESS: I --

MR. KRAVITZ: You may want to ask that question so the record is clear.

MS. BERGER: Let her ask the questions.

MS. FISHER: Read back the question, please.

(The reporter read the record as requested.)

THE WITNESS: I don't recall having any discussions with Betsey Wright relating to Beverly Bassett Schaffer, although it is possible. I do know that I referred press inquiries about Beverly Bassett Schaffer and related issues to her during the campaign.

BY MS. FISHER:

Q So, after the 1992 campaign, do you recall

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having any discussions with Betsey Wright relating to Beverly Bassett Schaffer?

A Sitting here today, to the best of my recollection, Alice, I don't recall that, although, again, if it were an issue in the press, it might have been possible, but I do not recall that.

Q So, even after the campaign, you would on occasion refer press inquiries to Betsey Wright; is that correct?

A No. On occasion after the campaign I would talk with Betsey Wright about current events. But it would be in the general context of current events. It could have been at some point during that time Beverly Bassett Schaffer might have been a current event.

Q Do you recall any discussions with Betsey Wright since the 1992 campaign relating to Jim McDougal or Madison Guaranty?

A I do not.

Q Do you recall any discussions with Betsey Wright after the 1992 campaign where David Hale or Capital Management Services was discussed?

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A I do not. To the best of my recollection, I do not.
Q Do you recall having any conversations with Mr. Harold Ickes relating to Madison Guaranty?
MS. BERGER: At any time?
MS. FISHER: Yes.
THE WITNESS: To the best of my recollection, Alice, I do not, although it is possible, again, in relation to a press story that we may have, but I do not remember that.
BY MS. FISHER:
Q Do you know Mr. Ickes?
A I do know Mr. Ickes.
Q Do you recall or could you give me an approximate number of times you have spoken to Mr. Ickes since he has been at the White House?
MS. BERGER: Can you give him the date that Mr. Ickes has been in the White House.
MS. FISHER: Mr. Ickes went to the White House in January 1994.
MS. BERGER: Can you tell her how often you might have spoken to Mr. Ickes since January 1994?

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THE WITNESS: No. Simply sitting here today, I can't recall that. I'm sorry. I have talked with him not frequently, but I have talked with him.
BY MS. FISHER:
Q Do you recall any discussion with Mr. Ickes where Beverly Bassett Schaffer came up in the conversation?
A To the best of my recollection, I do not recall that, although, again, as I testified, that may have come up as a result of a press story which appeared, but I simply do not recall that.
Q So, you don't recall whether it happened or it didn't happen?
A I don't believe it happened. But it would not be uncommon to have a discussion with Mr. Ickes about a story which appeared in the press.
Q Do you know Michael Waldman?
A I do know Michael Waldman.
Q Did you have a discussion with Michael Waldman about Beverly Bassett Schaffer or where Beverly Bassett Schaffer arose, the name arose in the

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conversation?
A It is possible that we might have talked about Beverly Bassett Schaffer, but I don't remember it, and I don't believe it happened. But again, no one at the White House ever asked me, to the best of my recollection, to contact Beverly Bassett Schaffer.
Q Did anyone at the White House ever ask you to directly or indirectly contact any individual other than people in the press with regard to matters related to Whitewater, Madison, Capital Management or David Hale?
MS. BERGER: Alice, I don't understand that question. Can you break it up a little bit? There are so many pieces to it, I'm not sure I follow it.
MS. FISHER: Yes. It is a long question. We can take it one at a time.
BY MS. FISHER:
Q It kind of plays off your last answer. I just want to go into people other than Beverly Bassett Schaffer.
A Okay.

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Q I want to know if there was ever a time when someone from the White House asked you to contact someone else, other than people of the press, because I'm not interested if they told you to call The Arkansas Democrat Gazette and tell them this is not true or whatever, to contact any individual other than people of the press with regard to matters related to Madison. I will just take them one at a time.
A To the best of my recollection, no.
Q That would be -- they did not ask you to contact someone directly or indirectly?
A That is correct, to the best of my recollection.
Q I wanted to ask the same question with regard to Capital Management Services or David Hale.
A To the best of my recollection, no.
Q Jim McDougal?
A To the best of my recollection, no.
Q Susan McDougal?
A To the best of my recollection, no.
Q What about the Rose Law Firm issues?

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A To the best of my recollection, no.
MR. KRAVITZ: Can we take a break?
MS. FISHER: Sure.
(Recess.)
BY MS. FISHER:
Q Mr. Rutherford, I want to go back for a minute to the contacts you had with Archie Schaffer. Did you discuss those conversations with Mr. Tisdale?
A You are talking about both conversations?
Q Either.
A Either conversation. To the best of my recollection, no.
Q Did you discuss Beverly Bassett Schaffer at all with Mr. Tisdale after the 1992 campaign?
A I believe that I had a conversation with Mr. Tisdale regarding that issue as it appeared in the press.
Q About approximately what time?
A I don't recall the exact time, but when the Beverly Bassett issue appeared in the press. I believe at some point I could have visited with

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Mr. Tisdale about the press issue.
Q Do you recall the substance of your discussion?
A No, I don't recall it. I'm sure it was a press-related matter. I simply don't recall that. I know that Mr. Tisdale's firm was also getting press calls.
Q Do you recall whether he called you about that or you called him about that?
A I don't know. I don't know.
MS. BERGER: Can we take a break for a minute?
MS. FISHER: Yes.
(Recess.)
BY MS. FISHER:
Q Did you want to add anything to your last answer?
A No.
Q Do you recall any other conversations with Mr. Tisdale during this time period related --
MS. BERGER: I don't believe he has testified to any conversations with Mr. Tisdale, so

when you ask a question that says "any other conversations," you assume that a conversation occurred.

MS. FISHER: Sorry.

BY MS. FISHER:

Q Do you recall any discussions with Mr. Tisdale?

MS. BERGER: Regarding Whitewater?

MS. FISHER: Regarding Whitewater, Madison, Capital Management, David Hale or Beverly Bassett Schaffer.

MR. KRAVITZ: When?

MS. FISHER: Post-1992 campaign.

THE WITNESS: Yes.

BY MS. FISHER:

Q Could you tell me the substance of those conversations.

A Mr. Tisdale advised me on a document request that --

MS. BERGER: Wait a minute, wait a minute.

(Counsel conferred with the witness.)

MS. BERGER: Mr. Tisdale represented the



witness in connection with a Whitewater-related subpoena, and obviously any discussions they had were privileged.

THE WITNESS: That was the confusing part, I think.

BY MS. FISHER:

Q I understand. Do you have documents in your possession which relate to Whitewater or Madison?

MS. BERGER: That question is so broad I don't think he can answer it. What kind of documents do you want to know about?

BY MS. FISHER:

Q Other than press articles, do you have any documents in your possession, custody or control which relate to Whitewater or Madison?

A No.

MS. BERGER: Were documents produced in connection with the subpoena that you received, to your knowledge? Were any documents produced? Why don't we consult.

THE WITNESS: I'm not quite sure I can

define that.
(Counsel conferred with the witness.)
MS. BERGER: I think the confusion stems from the fact that Mr. Rutherford produced documents in response to a subpoena. To the extent that what he produced is encompassed in what you consider a Whitewater-related document, those documents have already been produced to the independent counsel.
MS. FISHER: Okay.
MS. BERGER: If there are other kinds of documents that you want to ask him about, you should feel free to do so. But I think it is impossible for the witness to answer a question as broad as "are there any Whitewater-related documents," because he doesn't know what you mean by a Whitewater-related document and he certainly doesn't want to be in the position of saying documents don't exist that may exist because he doesn't understand what you are asking about.
If there are particular kinds of documents you want to ask him about, you should do that.
MS. FISHER: I was trying to get at whether



you had documents, because we didn't subpoena you for documents.
MS. BERGER: He can't answer that question unless you ask him about a specific kind of document, that you want to know if it exists.
MS. FISHER: Okay.
BY MS. FISHER:
Q Mr. Rutherford, at any time did you collect documents? And I'm not talking about press articles that you may or may not have collected. Did you attempt to collect or obtain any documents relating to Whitewater?
MS. BERGER: I think I told you there were certain documents produced in response to a subpoena from the Independent Counsel.
MS. FISHER: Yes.
BY MS. FISHER:
Q That was unclear. Other than for purposes of producing documents to another investigative entity, prior to that time -- let's set that aside -- at some time in 1992, 1993, 1994, 1995, did you attempt to collect or obtain documents related to

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Whitewater from any source?
MS. BERGER: I don't follow what you mean. I take it you are not including anything that he may have done that falls within the confines of the attorney-client privilege? Are you asking him if he got documents from the White House? Are you asking if he has certain documents in his office? I don't know what you mean by "collect documents during this time period."
MS. FISHER: Collect or obtain any documents from any source.
MS. BERGER: Other than in connection with the subpoena that he has already testified about?
MS. FISHER: I think I said that. Other than in connection with collecting documents to produce pursuant to a subpoena.
MS. BERGER: And collect Whitewater documents?
MS. FISHER: Or obtain.
MS. BERGER: What is a Whitewater document?
MS. FISHER: Documents related to

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Whitewater Development Corporation. Like did he go to someone and say, hey, do you have documents on Whitewater, give them to me. Did he go to the county courthouse and try to collect records together. Those are the examples I'm looking for.
MS. BERGER: Why don't you ask him that question so the record is clear.
MS. FISHER: We can go the hard way.
MS. BERGER: It is very important that he understands what you are asking.
BY MS. FISHER:
Q Did you at any time attempt to collect Whitewater-related documents from an individual that may have had those documents?
A No.
Q Did you attempt to obtain Whitewater-related documents from any kind of office building?
A No.
Q You understand what I'm asking?
A I understand. No.
Q Did you attempt to obtain any documents

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related to Madison Guaranty?
A No.
MS. BERGER: Is it the same premise as your prior question? Did he go to an office building or ask an individual for Madison documents?
MS. FISHER: Right.
THE WITNESS: No.
BY MS. FISHER:
Q Did you attempt to obtain documents related to Jim McDougal or Susan McDougal?
A No.
Q Did you attempt to obtain any documents related to Capital Management Services?
A No.
MS. BERGER: Just to be clear, you are excluding from all of your prior questions on this press clips?
MS. FISHER: Yes, I am.
MS. BERGER: Or press statements or press releases?
MS. FISHER: Yes, I am.
BY MS. FISHER:

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Q At some point did you become aware of RTC criminal referrals related to Madison Guaranty?
A When I read about it in the press.
Q Did you have any -- do you recall about approximately what time that was?
A I don't know the date. I remember reading it in the press, but I don't know the date.
Q Do you recall having discussions with anyone relating to the RTC criminal referrals?
A I don't recall any discussions.
Q Did you speak to Betsey Wright about it at any time?
A I don't recall speaking to Betsey Wright.
Q After the 1992 campaign, have you participated in any discussions relating to the First Lady's representation of Madison Guaranty?
A No.
MR. KRAVITZ: Read that question back, please.
(The reporter read the record as requested.)
MS. BERGER: I take it you were excluding from that question any conversations he may have had

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with counsel.
MS. FISHER: Yes.
BY MS. FISHER:
Q I am always excluding conversations you may have had with your counsel.
MS. BERGER: Just so that is clear. And any discussions he may have had about articles that appeared in the press about these subjects?
MS. FISHER: I wasn't excluding that.
THE WITNESS: Well, people may have requested press clippings relating to that issue, but I don't recall any discussion related to that issue.
BY MS. FISHER:
Q Did you have some sort of role as being a regular contact for people to come to for press clippings or for people to come to discuss these issues?
MS. BERGER: What "people" are you referring to?
BY MS. FISHER:
Q What I'm trying to get at is you say that people may have come to you for press clippings when

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I ask a question related to Madison or Whitewater or Rose Law Firm, or people may have called you about what they saw in the paper. I'm trying to get some idea if you had some kind of formal or informal role as being the person in Arkansas that people would go to on press matters.
A I think I was one person that people would contact if they wanted to get a copy of an article in the press. I'm sure there were others but I think I was one that people might contact.
Q Other than to obtain an article, would people generally call you to discuss what was in the press about these matters, people from the White House?
MS. BERGER: And "these matters," you are referring to Whitewater?
MS. FISHER: Madison, Whitewater.
THE WITNESS: Not in a substantive way.
BY MS. FISHER:
Q Do you recall a discussion with Michael Waldman about plans for Mr. Waldman to come to Arkansas?

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A I do not recall that discussion.
Q Do you recall in late '93 or up to February 1994 calling Mr. Waldman for any reason, placing a call to him?
A Sitting here today, I cannot recall that.
Q Do you recall him calling you for any reason?
A Sitting here today, I cannot recall that.
Q Do you think it would be likely if Mr. Waldman called you to discuss a possible trip to Arkansas, would it be likely that that would be something that you would recall?
A I believe I would recall that. I simply don't recall it.
Q Do you recall -- and I may have asked this before. Do you recall discussing any issues relating to Beverly Bassett Schaffer with Mr. Waldman?
MS. BERGER: At any time?
MS. FISHER: At any time.
THE WITNESS: I believe I testified that I didn't recall having a conversation with Mr. Waldman about Beverly Bassett Schaffer, and I don't believe

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that it happened.
BY MS. FISHER:
Q I'm going to show you a page of notes from Mark Gearan. I appreciate the fact that you were not at this meeting. This was notes of a meeting that you may know about, that he had at the White House in early January of 1994.
MS. BERGER: For the record, can you just tell us when the meeting was.
MS. FISHER: Yes, absolutely. It occurred January 7, 1994, according to these notes. Mr. Gearan, along with others from the White House, were discussing Whitewater and Independent Counsel issues at that time.
BY MS. FISHER:
Q One of the issues that was discussed, according to Mr. Gearan's testimony about his notes, was someone, "PB, BL or Waldman to Arkansas to meet with Beverly Bassett, try to poke holes in their story."
On the third page of these notes, and I can let you read them all if you care to, but it has a

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list of names and it has Mr. Ickes and then beside his name "we can't send PB, BL, MW, it will come out item by item, make sure her story is okay." Then it has a list, "Tisdale and Lindsey firm, Skip, WH pass, PB friend, New York lawyer."

Mr. Gearan testified that this Skip is you, Skip Rutherford. Do you know what this could refer to, the "WH pass"? Did you have a White House pass during that period of time?

MS. BERGER: What is the period of these notes?

MS. FISHER: January 7, 1994.

MR. KRAVITZ: Can we just take a one-minute break?

MS. FISHER: Sure.

(Pause.)

MS. BERGER: Please read back the question.

(The reporter read the record as requested.)

THE WITNESS: First of all, I can't testify as to what Mr. Gearan wrote or what he meant by that. The second question, did I have a White House

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pass at this time. To the best of my recollection, I did not have a White House pass at this time.

BY MS. FISHER:

Q Do you recall any discussions about Beverly Bassett Schaffer with Paul Begala?

A I don't recall any discussions with Paul Begala about Beverly Bassett Schaffer.

Q And it would be your testimony, correct, that no one from the White House asked you to speak with Mr. and Mrs. Schaffer to go through item by item to make sure her story is okay?

A That is correct.

Q Did you have any conversations with regard to Madison Guaranty with Webster Hubbell at any time?

A I can't recall having any conversations with Webster Hubbell about Madison Guaranty.

Q Did you have any discussions with Mr. Hubbell about the Rose Law Firm?

A I can't recall having any conversations with Web Hubbell about the Rose Law Firm.

MS. BERGER: When you say "about the Rose Law Firm," do you intend to mean about the Rose Law

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Firm's representation of Madison and Whitewater-related matters?
MS. FISHER: No. Any issues concerning Rose Law Firm.
MR. KRAVITZ: I object to that. It is outside the scope of the resolution. I assume that you meant limited to the subjects in the resolution.
MS. FISHER: I'm asking if they did or didn't occur, and then I can limit it.
MR. KRAVITZ: You don't have a right to know whether he had conversations with someone about the Rose Law Firm other than with regard to subjects in our resolution.
MS. FISHER: Well, that doesn't only relate to Madison. It relates to the Rose Law Firm's investigation done by the RTC, the FDIC and possible investigation related to Mr. Hubbell's billing practices. I would like to know if he had any conversations with Mr. Hubbell about any of those matters.
MS. BERGER: That question is fine.
THE WITNESS: The answer to that, to the

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best of my knowledge, is no.
MS. FISHER: It is easy if I ask the broader question and limit it.
MR. KRAVITZ: It may be easier, but it is inappropriate. You have no right to ask a question that would elicit an answer that he discussed with Mr. Hubbell, for example, something about how the Rose Law Firm decides who makes how much money or the Rose Law Firm's representation of some client that has nothing to do with S. Res. 120.
MS. FISHER: All I did was ask the question if the conversation occurred. I did not attempt to elicit any information about the substance of that discussion. You know it has been a regular practice throughout these depositions to do that.
MR. KRAVITZ: Not when I have been here.
THE WITNESS: I understand.
MS. BERGER: I want the record to be clear about what you are asking the witness, because the Rose Law Firm is physically in Little Rock, Arkansas, and the question is so broad that the witness may be confused about what it is that you are asking him

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about.
BY MS. FISHER:
Q Did you have any conversations with Mr. Hubbell with regard to the Rose Law Firm's representation of Madison Guaranty?
A No, I did not.
Q Did you have any discussions with Mr. Hubbell regarding the investigation into the Rose Law Firm for conflict of interest conducted by the RTC and FDIC?
A To the best of my recollection, no, I did not.
Q Did you have any discussions with Mr. Hubbell with regard to the investigation conducted by the Rose Law Firm into his billing practices?
A To the best of my recollection, I did not.
Q Did you have any discussions with the First Lady with regard to her representation of Madison Guaranty?
A No.
Q When did you first become aware that

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Mrs. Clinton had represented Madison Guaranty?
MS. BERGER: You mean that the Rose Law Firm had represented Madison Guaranty?
MS. FISHER: Yes.
THE WITNESS: I don't recall when. I don't recall when.
BY MS. FISHER:
Q Do you recall when you first learned that the Rose Law Firm had represented Madison Guaranty with regard to a matter involving the Industrial Development Corporation?
MS. BERGER: If he ever learned.
MS. FISHER: Yes.
BY MS. FISHER:
Q If you ever learned.
A Say that question again, I'm sorry.
MS. BERGER: Why don't you ask him whether he is aware of the representation.
BY MS. FISHER:
Q Did you become aware at some point that the Rose Law Firm represented Madison Guaranty in relation to a matter involving the Industrial

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Development Corporation land transactions, what has also been referred to as Castle Grande?
A Am I aware of that? Is that the question?
Q Yes. Did you become aware of that at some point?
A I did become aware of that.
Q When did you become aware of that?
A I don't recall when I became aware of it.
Q Do you recall that it was within the last six months or prior to the last six months?
A I simply don't recall when I became aware of that.
Q Do you believe it would have been 1993, 1994? Could you even give me a year?
A Alice, I really don't know. It is just not something that is at the forefront of my interest or memory. I just don't know. I am aware of it. I don't know when I became aware of it.
Q Do you recall having any discussions where the subject of that representation was brought up?
A No.
Q Do you recall when you first learned of the

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investigation and/or indictment of David Hale?
MS. BERGER: Again, I think just to be clear, you need to ask him whether he is aware of it.
MS. FISHER: Sorry.
MS. BERGER: Saying he "first learned" implies that he knows about it.
THE WITNESS: I'm aware of it, and to the best of my recollection, I learned about it when it appeared in the press.
BY MS. FISHER:
Q Do you recall having any discussions with regard to the indictment of David Hale?
MS. BERGER: With anyone?
MS. FISHER: With anyone.
THE WITNESS: Other than members of the press, no.
BY MS. FISHER:
Q So, you don't recall any discussions you may have had with Mr. McLarty with regard to the indictment or investigation of David Hale?
MS. BERGER: Are you asking him whether he

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recalls having any?
MS. FISHER: He said he didn't recall any of the press. I want to be clear he recalls --
THE WITNESS: I don't recall having a discussion with Mr. McLarty about David Hale or the indictment of David Hale. We may have discussed a press clipping or a press article, but that would be it. I don't recall any discussion with Mr. McLarty on that.
BY MS. FISHER:
Q Do you know Mr. Hale?
A No.
Q Do you recall discussing with anyone the allegations that David Hale was reported to have made against or involving the President?
A No.
Q Have you had any conversations since 1992 with Sam Heuer?
A Sam Heuer, the lawyer?
Q Yes.
A Yes.
Q In any of those discussions, did you

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discuss Madison Guaranty or Jim McDougal?
A Yes.
Q Could you tell me the substance of those discussions.
A Our children go to the same high school, and so I do see Sam occasionally. In conversations, he has discussed or he has mentioned in a general way the trial that is coming up and the fact that, how he is preparing for the trial, in terms of he is spending a lot of time, he is getting ready, in that general nature. That is the essence of our conversations.
Q Can you recall anything more specific?
A Well, we have talked about the trial, and basically the specifics of the trial which have been discussed in the press, at a social event and he said that he was working hard getting ready for the trial. He also said that Mr. McDougal was pressing for the President to testify in person, which has been reported in the press, and that he had defended Mr. McDougal one time before and was prepared to defend him again. It was just generic trial

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discussions.
Q Have you had any discussions with anyone with regard to a McDougal legal defense fund or money being provided to pay for Mr. McDougal's legal services?
MS. BERGER: Legal expenses.
MS. FISHER: Legal expenses. Sorry.
THE WITNESS: I don't recall any conversations about a legal fund for McDougal.
BY MS. FISHER:
Q Did you have any discussions with Jim Blair about his conversations with either McDougal or Mr. Heuer?
MS. BERGER: Are you asking him if Blair ever told him that Blair had talked to Heuer or McDougal?
MS. FISHER: Yes.
MR. KRAVITZ: About McDougal?
BY MS. FISHER:
Q Any discussions with Jim Blair -- have you had any discussions with Jim Blair since 1992?
A Yes.

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Q In any of those discussions, did Jim McDougal or Sam Heuer come up in conversation?
MR. KRAVITZ: You can answer that question yes or no.
THE WITNESS: I can't recall. I don't know. I have to think of my conversations with Mr. Blair and I don't know.
BY MS. FISHER:
Q Did Mr. Blair ever mention to you that he had discussions with Mr. Heuer about his representation of Mr. McDougal?
MS. BERGER: Do you understand the question?
THE WITNESS: I'm sorry, I don't understand the question, Alice.
MS. BERGER: Let me see if I can help. Did Blair ever tell you that he had talked to Heuer about Heuer's representation of McDougal?
THE WITNESS: I don't remember whether Jim Blair told me that or not. I don't recall that. I'm sorry.
BY MS. FISHER:

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Q Have you had any contact with Chris Wade in 1992?
A I don't know Chris Wade.
Q So that would be a no?
A That would be a no. I don't know Chris Wade. To my knowledge, I have never had any contact with him.
Q Do you know Dan Lasater?
A I know who he is. I don't know him personally.
Q Have you had any discussions with Mr. Lasater in 1992 to the present?
A No.
Q Do you know Mr. Branscum?
A I do.
Q Have you had any discussions with Mr. Branscum with regard to the Perry County Bank and the 1990 Clinton gubernatorial campaign?
A No.
Q Have you had any discussions with Mr. Robert Hill?
A No.

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Q Have you had any discussions with Betsey Wright with regard to the Perry County Bank and the 1990 Clinton gubernatorial campaign?
A Not that I can recall, although, again, we could have discussed a press-related matter.
Q Other than press matters?
A No.
Q Other than press matters, did you have any conversations with Ms. Wright with regard to Madison?
A No.
Q Other than press matters, did you have any conversations with Ms. Wright with regard to David Hale?
A No.
Q Have you had any contact since 1992 with Governor Jim Guy Tucker?
MR. KRAVITZ: About what?
MS. FISHER: I will get to that. I just want to have this in a very flowing manner. You let me do it the last time. Are you going to object every other time?
MR. KRAVITZ: I'm going to object every

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time I can think of it when it is an inappropriate question. If you want to ask whether he has ever had any conversations with Jim Guy Tucker about subjects covered by the Resolution, you are free to do so. Otherwise, your question is improper.

BY MS. FISHER:

Q Have you had any discussions with Jim Guy Tucker since 1992 with regard to either RTC investigations or other investigations?

MS. BERGER: Of him?

MS. FISHER: No. Just with RTC investigations or other investigations involving Madison.

MR. KRAVITZ: Oh, involving Madison. That's fine.

THE WITNESS: To the best of my recollection, no.

BY MS. FISHER:

Q Have you had any discussions with anyone at the Eastern District of Arkansas U.S. Attorney's Office with regard to any investigation involving Madison Guaranty?

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MS. BERGER: Can you tell him who you are talking about in that office?

MS. FISHER: I could read out a list of names.

MS. BERGER: Well, it may be the case that he doesn't know what you are talking about because of the way the question is phrased.

THE WITNESS: I'm confused.

BY MS. FISHER:

Q Do you know Paula Casey?

A I know Paula Casey.

Q Have you had any discussions with Paula Casey involving Madison Guaranty?

A No.

Q Do you know Brent Bumpers?

A Yes.

Q Have you had any discussions with Brent Bumpers involving Madison Guaranty?

A No.

Q Do you know Mark Stodola?

A Yes.

Q Have you had any discussions with

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Mr. Stodola involving David Hale or Capital Management Services?
A Yes.
Q Could you tell me the substance of those discussions.
A I saw Mr. Stodola at a social event and we talked about a press article which appeared about him in the paper regarding whether he was going to pursue charges against Hale or not. It was in the context of that press article.
Q What do you specifically recall about that discussion?
A Nothing specific. Just general, I read about you in the press, you are obviously very busy, and he said yes, I have a lot on my plate. It was just general.
Q Did Mr. Stodola say anything to you specifically?
A No, not that I recall. It was a social event.
MS. BERGER: You mean about Madison did he say anything specifically?

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MS. FISHER: No. About David Hale.
THE WITNESS: No, other than his name was mentioned because it was in the press article. I said I saw that article about you and David Hale today, or yesterday or whenever it appeared. It was nothing specific. It was generic.
BY MS. FISHER:
Q Did you ever discuss David Hale or Capital Management Services with James Blair?
A Not to my knowledge.
Q Did Mr. Blair ever tell you that he provided funds to Mr. McDougal to pay off or to close out the Whitewater relationship?
A No.
Q Did Mr. Blair ever tell you of any funds he provided to Mr. McDougal?
A No.
Q Have you had any discussions with David Kendall involving Madison Guaranty, Whitewater or Capital Management?
A Yes.
Q Do you recall when those discussions were?

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A We have had discussions about press articles, and a couple of weeks ago, Mr. Kendall was in Little Rock, and we had dinner. He indicated to me that he was there on a legal matter and we had a discussion, nothing substantive, about legal issues and the trial was coming up and generic matters that had appeared in the press, but it was nothing substantive. It was a social dinner.

Q When was the first time that you met Mr. Kendall?

A I don't recall the first time that I met Mr. Kendall.

Q Was it in 1993?

A Alice, I'm sorry, I don't know that. I don't know when I first met him.

Q Did you ever attend any meetings with Mr. Kendall? I don't want to construe this dinner as a meeting. Did you ever have any occasion to meet with Mr. Kendall other than this dinner?

MS. BERGER: Do you mean on a matter related to Madison?

BY MS. FISHER:

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Q Do you know Mr. Kendall outside of being the lawyer for the President and Mrs. Clinton?

A Not really. No, I don't recall any meetings with Mr. Kendall. We have, again, had discussions about press issues.

Q On the phone?

A On the phone. I may have seen him when he was in Little Rock, but I don't think it was in a meeting setting. I think that I may have met him at a social gathering. But I don't recall any meetings with Mr. Kendall.

Q When you say that you spoke to Mr. Kendall about press issues, would he call you or would you call him, generally?

A Both.

Q What occasions do you recall calling him?

A I don't recall any specific occasions, but I do recall if there was an article in the paper that I thought that he would be interested in, that I would call and tell him that this article appeared.

Q Do you recall any specific occasions where he called you?

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A No, I don't recall specifically.
Q Do you recall any occasions where in one of your discussions with Mr. Kendall, he asked you for information? What I'm trying to get is were all the conversations just gosh, did you see, this appeared in the press, yes, I saw this appeared in the press. Or did you ever have a conversation with him that said this was in the press, can you find out if this is right, can you do some research on this, do you know if this is true?
MS. BERGER: Are you asking him if Mr. Kendall ever asked him to do anything as a result of a press story?
BY MS. FISHER:
Q I'm asking if Mr. Kendall ever asked you for information in any of the discussions you had with him.
A I don't recall specifically, but it is possible he could have asked me like who is so-and-so or are you familiar with this entity or where is this, more questions relating to background. To my knowledge, he has never asked me to do anything. He

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may have tapped my institutional memory on an issue.
Q It would be the best of your recollection that he has never asked you to contact anyone?
A It would be the best of my recollection that he has never asked me to contact anyone.
Q Have you participated in any discussions at the White House with regard to Neil Ainley?
A No.
Q Have you participated in any discussions with anyone at the White House with regard to Bill Watt?
MR. KRAVITZ: Can you tell him who that is?
BY MS. FISHER:
Q Do you know who Bill Watt is?
A I know who Bill Watt is. He is a judge, and every kid that gets a traffic ticket in Little Rock goes before him.
MS. BERGER: Are you asking him whether he has ever talked to anybody at the White House with respect to a matter relating to Judge Watt that is within the resolution?

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MS. FISHER: Yes.
THE WITNESS: No.
BY MS. FISHER:
Q Did you have any discussions with anyone at the White House about L.D. Brown?
A Yes.
MR. KRAVITZ: Relating to anything in particular?
BY MS. FISHER:
Q In any of those discussions -- who were those discussions with?
MR. KRAVITZ: Wait, hold on a second. Let's narrow this down to subject matters that are within our resolution before we get into any more details.
BY MS. FISHER:
Q Did you discuss with anyone at the White House anything related to L.D. Brown and Madison Guaranty, Jim McDougal?
I could go on to list and list and list.
MS. BERGER: You should, because he needs to understand what you are asking him.

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MS. FISHER: Off the record.
(Discussion off the record.)
THE WITNESS: Ask the question again, please.
BY MS. FISHER:
Q Do you recall the substance of your conversations with anyone at the White House with regard to L.D. Brown and where anything related to Madison, Capital Management, David Hale, Jim McDougal, et cetera, et cetera, came up?
A Yes.
Q Could you tell me what that conversation was.
A Yes. In a phone conversation with Bruce Lindsey, I told him about a conversation that I had had with L.D. Brown.
Q What did you discuss with Mr. Lindsey?
A I only discussed with Mr. Lindsey that I had had a conversation with L.D. Brown. We did not discuss the substance of the conversation.
Q So, the sum of your conversation would be I had this conversation with L.D. Brown. Mr. Lindsey

didn't ask you what did you discuss with him?
A We did not go into details about that discussion. We were talking about a completely different matter, and in the context of the discussion, it came up in a what else has been going on, what have you been doing, and I said well, I had a conversation with L.D. Brown today, and I went on to report other people that I had talked to.
That was the essence of my conversation with the White House about L.D. Brown.
Q Could you tell me the substance of your conversation with L.D. Brown.
A Sure. L.D. Brown called and said he really wanted to see me. I was out of the office. He apparently called several times and even left his beeper number saying he really, really had to see me. So, I returned his call and set up an appointment.
Mr. Brown came to my office and discussed in great detail his press -- the press was very interested in him, his stories, that he was very overwhelmed or fascinated by the number of press



reporters that wanted to talk with him.
He asked me for my advice on how you deal with the press, and we had a discussion about that.
Q Do you recall anything else about your conversation?
A I recall in the conversation with Mr. Brown that he asked me where I thought all this was going. I told him I didn't know. I told him that because he was a visible figure, that he very well could be asked to give a statement and that my advice to him was to always tell the truth, that when he put his head on the pillow at night to know that he had told the truth. That was my counsel to him.
Q Did you give him any further advice?
A Alice, I don't recall any more specifics of the conversation. We did discuss the press, overwhelming press interest, but I specifically remember those points.
Q Do you recall when this conversation occurred?
A I believe it was in early February of '94.
Q Did you take notes of this conversation?

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A I did not.
Q Did you discuss the ongoing investigation involving Madison Guaranty and Whitewater at that time with L.D. Brown?
A I think, to the best of my recollection, we discussed the fact that because he had been outspoken and was granting interviews and talking to the press, that he could be asked for his statement or he could be asked to testify, in that context.
I wasn't familiar with enough of the investigation to even discuss it in detail so I couldn't have had a substantive discussion with him.
Again, I met with him at his request, and he sought my advice. I didn't seek to talk to L.D. Brown.
Q Other than Mr. Lindsey, did you discuss your conversation with L.D. Brown with anyone else?
A The only other person that I remember discussing it with was also in a conversation with Betsey Wright, where again, as part of another conversation we were having, I said to her I visited with L.D. Brown today.

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MS. FISHER: Off the record for a minute.
(Recess.)
BY MS. FISHER:
Q Can you tell me what you recall about this discussion with Betsey Wright, where Betsey Wright was present.
Read back the last answer.
(The reporter read the record as requested.)
BY MS. FISHER:
Q Do you recall anything further about that conversation with Ms. Wright?
A No.
Q Was that promptly after the conversation with L.D.?
A Alice, I don't remember.
Q Did you discuss your conversation with Mr. Brown with Mr. McLarty at any time?
A No, I did not. Let me clarify that. Once it appeared in the press, but not during the time -- not during this particular time period. It later appeared in the press. And at that point, I did, in terms of the press report, but not in the context

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that I think you asked the question.
Q Did you have any discussions with John Latham with regard to Madison Guaranty?
A No. I don't know John Latham.
Q Have you had any discussions with Randy Coleman with regard to David Hale?
A No.
Q I want to show you a document that has been produced to the Committee by the White House and it is Bates number S 011484 to 486. It is 485 to 486. Excuse me. On the top I believe it said "Skip called re: the following." I understand this, most likely since it came from the White House, isn't something you typed up.
MS. BERGER: Can you tell from the Bates numbers whose files it came from?
MS. FISHER: No. The White House has not produced us a list of what came where, so I have no idea.
THE WITNESS: Can I read this?
MS. FISHER: Absolutely.
(Witness examined the document.)

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THE WITNESS: Is there a date on this, Alice?
MS. FISHER: No, there is not. I couldn't tell from where it was produced, as I said, whose files it came from or where it came from.
MS. BERGER: What is your question?
MS. FISHER: I wanted to ask him about the document, but I wanted to give him a chance to look at it. So I don't think I have a pending question.
THE WITNESS: This is the first time I have seen the document.
BY MS. FISHER:
Q I wanted to give you a chance to look at it.
A Okay.
Q Do you recall looking into issues regarding the campaign loan from the Cherry Valley bank?
A I don't recall looking into issues. I believe, to the best of my recollection or as a result of just now reading this, that this was probably told to me by a reporter, and I passed the information on. It probably comes from a reporter.

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Q The first sentence says "the $50,000 loan from the Bank of Cherry Valley was a campaign finance violation because the financial institution was not listed on the report."

Do you recall discussing that with anyone other than a reporter?

A No. I don't know anything about that. I would have passed on what the reporter had told me.

Q But you don't recall discussions about whether that was a true or untrue statement?

A No, there was no discussion on it. I would have just passed this on in terms of a visit with the reporter who would have said we are working on this story and, by the way, ABC has opened a permanent bureau here.

Q Do you recall discussing the 1985 fundraiser that Mr. McDougal had for then-Governor Clinton?

MS. BERGER: With?

BY MS. FISHER:

Q With anyone.

A No, other than passing on press reports

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which I have testified that I did that regularly.

Q I want to show you another document that is Bates number S 12365, dated December 21, 1993, from Skip Rutherford to Bruce Lindsey.

Do you recall this document?

MS. BERGER: Let him look at it for a minute.

(Witness examined the document.)

MS. BERGER: What is the question now?

BY MS. FISHER:

Q Do you recall writing this memo?

A No. It looks like -- I don't recall writing this memo, although it is possible. It doesn't seem to be in my style of writing. It could be that I could have called in to someone in Bruce's office who could have put it in memorandum form, which is possible, but I don't recall writing this particular memo. In fact, I don't recall ever even seeing this memo. Usually when I write a memo, I sign it up here.

Q Do you recall anything about the substance?

A Again, this is in relation to the press.

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Q Who is Mr. Bradbury?
A He was the president of Worthen Bank, which is now Boatman's Bank. There was a tremendous amount of press interest in Worthen loans.
As I look at this, what I probably did, Alice, was that I learned that The Wall Street Journal is working on an article about this particular subject, and I probably called Bruce Lindsey at the time to tell him about it. Either I wrote the memorandum, which I don't recall, or someone typed up the memorandum based on the conversation with me.
Usually when I write my memorandums, I sign "Skip." I usually don't ever use the words "please advise." That is just not my style.
My feeling is that this came from a telephone conversation that I told someone in Bruce's office.
Q Do you recall speaking to Mr. Bradbury in and around December 1993?
A I don't recall specifically, although it would not be unusual for me to talk to Kurt

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Bradbury. From all indications, I don't recall specifically, but, again, it is certainly possible.
Q Do you recall attempting to obtain any information with regard to bank loans or anything like that?
A No, absolutely not. If I had talked to Mr. Bradbury, it would be in the context of a press inquiry he had.
Q That Mr. Bradbury brought to you?
A Yes.
MR. KRAVITZ: I should just point out looking at this document that it refers to "Skip" in the third person here in the last paragraph, where it says "Skip has a meeting in Mack's office at 3:00," et cetera. If you were writing it --
THE WITNESS: I think I passed that on to someone in Bruce's office who typed it up. That is not my --
MR. KRAVITZ: You wouldn't refer to yourself in your own memo as "Skip."
THE WITNESS: You are right. I didn't catch that. The "please advise" and I always sign

mine. That just doesn't look like -- it looks like I passed on the conversation.

MS. FISHER: I don't have any further questions.

MR. KRAVITZ: Why don't we take about a five-minute break.

(Recess.)

EXAMINATION

BY MR. KRAVITZ:

Q Mr. Rutherford, I'm going to ask you just a few follow-up questions. I will probably start on each subject matter by trying to direct your attention to some of your prior testimony or a summary of your prior testimony so you can focus in on what I'm asking you about.

I first want to ask you some questions about conversations that you may or may not have had regarding Beverly Bassett Schaffer during the time period December 1993 through February 1994.

Do you have any recollection of speaking with Harold Ickes during that time period about Beverly Bassett Schaffer?



A No.

Q Do you believe that you had any conversation with Mr. Ickes about Beverly Bassett Schaffer during that time period, December '93 through February '94?

A I do not believe I had any conversation with him about Beverly Bassett Schaffer during that time period.

Q Now, let me ask you the same questions with regard to Michael Waldman. Do you have any recollection of speaking with Michael Waldman about Beverly Bassett Schaffer between December 1993 and February 1994?

A I believe I have testified that I do not have any recollection of speaking with Michael Waldman, and I don't believe that I did.

Q Just so the record is clear, you have no recollection of speaking with Michael Waldman between December 1993 and February 1994 about Beverly Bassett Schaffer; is that correct?

A That is correct.

Q And you don't believe that you had such a

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conversation?
A I don't believe that I did.
MS. BERGER: Give me one second.
(Counsel conferred with the witness.)
BY MR. KRAVITZ:
Q The transcript will record more accurately than my memory as to what you said previously, but my memory from your previous testimony this morning is that with regard at least to Mr. Waldman and possibly with regard to Mr. Ickes as well, you testified that you did not recall talking with Mr. Waldman or Mr. Ickes about Beverly Bassett Schaffer during that time period but that it was possible.
MS. FISHER: I don't think that is a fair characterization of his testimony.
I think you said you did not believe that it occurred.
MR. KRAVITZ: I said that.
THE WITNESS: I don't believe it occurred. If I used the word "possible," it could have been in relation to a press story, that I would not have even remembered the conversation. So, that is what I was

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trying to clarify. When an all-encompassing question -- considering that I did have conversations about press stories, whatever was in the news could have been possible, but only as a news story.
BY MR. KRAVITZ:
Q Fair enough.
Now, I want to direct your attention to the telephone conversation you testified about earlier with Archie Schaffer in which Mr. Schaffer told you that Beverly Bassett Schaffer had been stalked.
Do you remember the conversation?
A I do.
Q What did Archie Schaffer tell you during that conversation about the stalking?
A He indicated to me that Beverly was surprised and taken by complete shock at someone who came up to her and then I believe followed her to another location, that he couldn't believe someone who was affiliated with the press would do anything like that, that he had never seen that. He wanted to know if I had ever heard of anything like that. That it really bothered her, it really bothered him, that

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they were really upset about it. They were very emotional about it.

He told me that he had taken a picture of the stalker and that he either was going to or had released it to the press, and he was just very upset.

Q Did Mr. Schaffer indicate whether or not Mrs. Schaffer feared for her physical safety as a result of those incidents?

A I don't recall any discussion about the physical safety. I do recall the discussion, that she was very upset and very worried, but I simply don't recall the physical. We didn't talk about that, to my knowledge.

Q You testified earlier that at some point during this conversation that you had with Archie Schaffer, that Mrs. Schaffer might have gotten on the telephone. What did you mean by that?

A Well, again, he was very upset. He was very emotional. I don't remember. I believe she was in the room when the conversation took place, and I have some recollection that I either talked to her or

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I heard her voice in the background affirming what he was saying, but I'm not certain of that.

Q Just to be clear, this was a telephone conversation?

A This was a telephone conversation.

Q You also testified about another conversation that you had, another telephone conversation that you had with Archie Schaffer. I believe you testified that you didn't know exactly when this subsequent conversation occurred but you thought it probably occurred in December '93 or January 1994. In any event, it was after this previous conversation in which stalking was discussed.

A Right.

Q And it was during this subsequent conversation, probably in December '93 or January '94, that the issue of a possible press conference was discussed?

A That's correct.

Q Was Beverly Bassett Schaffer on the telephone at any time during this subsequent

conversation between you and Mr. Schaffer?
A No.
Q Did Beverly Bassett Schaffer appear to be in the same room with Mr. Schaffer?
A No.
Q Did Mrs. Schaffer participate in the conversation that you had with Mr. Schaffer in any way?
A No.
Q You testified that at some point during that telephone conversation that you had with Archie Schaffer in which the subject of a possible press conference came up, that you told Mr. Schaffer that he should consult with Paul Begala or a Paul Begala type before deciding whether to hold a press conference; is that correct?
A That is correct.
Q Did you ever have any conversation with Paul Begala?
A Not to my recollection.
Q Let me finish the question. I know you know what I'm going to say, but the transcript needs



to be clear.
A I'm sorry.
Q Did you ever have any conversation with Paul Begala on the subject of whether Beverly Bassett Schaffer should hold a press conference?
A Not to my recollection.
Q Do you know whether Archie Schaffer ever had any communications with Paul Begala on the subject of whether Mrs. Schaffer should hold a press conference?
A I don't know.
Q Just one other question to clarify the record and make sure that everybody understands exactly what you meant.
At one point when Ms. Fisher was asking you questions about whether you had discussed Beverly Bassett Schaffer with Mr. Tisdale, I believe you testified that you may have visited with Mr. Tisdale on that subject. When you used the word "visited," did you mean meet, an in-person meeting, or is that terminology just for a conversation that could or could not be in person?

A "Visited" would be defined as a conversation that could or could not have been in person. It could have been by phone. It could have been as the result of a press clip.

MR. KRAVITZ: That's all I have. Thanks.

MS. FISHER: Let me ask just a couple more questions.

THE WITNESS: Sure.

EXAMINATION

BY MS. FISHER:

Q In your conversation with L.D. Brown, was that in person or was that over the phone?

A That was in person.

Q Where was that?

A In my office.

Q In your office. How long did it last?

A I don't recall exactly. I believe around an hour, 45 minutes to an hour, but I'm not sure.

Q Did the issue of subpoenas come up during that conversation?

A Yes. I recall that coming up. I said that you may be asked to testify as part of your public



statements.

MS. FISHER: That's all I have. Thank you so much.

(Whereupon, at 11:40 a.m., the deposition was concluded.)

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JAMES L. RUTHERFORD

CERTIFICATE OF NOTARY PUBLIC & REPORTER

I, BRENDA M. SMONSKEY, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Brenda Smonskey

Notary Public in and for the
District of Columbia

My Commission Expires SEPTEMBER 14, 1996

DEPONENT James L. Rutherford

## ERRATA

| PAGE | LINE | CHANGE FROM | CHANGE TO | REASON |
|---|---|---|---|---|
| 5 | 15 | McElroy | McIlroy | spelling |
| 91 | 22 | Kurt | Curt | spelling |
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# DEPOSITION OF SAM I. BRATTON, JR.
# IN RE: S. RES. 120

## VOLUME II

**TUESDAY, APRIL 23, 1996**

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER
DEVELOPMENT CORPORATION AND RELATED MATTERS,
*Washington, DC.*

Deposition of SAM I. BRATTON, JR., called for further examination pursuant to notice of deposition, at 2:10 p.m. in Room 640–A of the Hart Senate Office Building, before CARMEN BUNCH, a Notary Public within and for the District of Columbia, when were present:

MICHAEL P. O'CALLAGHAN, ESQ.
Majority Associate Special Counsel
NEAL E. KRAVITZ, ESQ.
Minority Principal Deputy Special Counsel
MITCHELL FEUER, ESQ.
Minority Counsel
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Building
Washington, DC 20510
On behalf of the Committee.



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PROCEEDINGS

MR. O'CALLAGHAN: Good afternoon, Mr. Bratton. My name is Michael O'Callaghan, associate special counsel with the Special Committee and with me today is Mitchell Feuer, who is counsel to the Banking Committee, conducting a deposition today pursuant to Senate Resolution 120. The resolution establishes a Special Committee administered by the Banking Committee to conduct an investigation involving Whitewater Development Corporation, Madison Guaranty Savings & Loan Association, Capital Management Services, Inc., the Arkansas Development Finance Authority and other related matters.

This deposition is in advance of public hearings which are going to occur next week, and you will probably be asked to testify at those hearings. We're going to ask you a series of questions today and ask you to testify under oath. If you don't understand a question, please let me know or Mitchell know and we'll be happy to rephrase our questions. In addition, if you need a break at any time, let us

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know and we'll be happy to accommodate you.

The stenographer is preparing a record of questions and answers. The deposition will be treated as Committee confidential until the commencement of the hearings. Prior to the hearings, you will receive a copy of your transcript of this deposition to review. You'll be given an opportunity to make any notes of any corrections for transcription on an errata sheet.

This deposition is a continuation of a deposition which we began back on January 5 of 1996 where I believe you spoke with Mr. Brenner and Mr. Portnoy, and also I believe I asked you to identify some handwriting on a number of documents during that deposition.

The deposition today is being conducted by telephone and I would like to ask you if you consent to being sworn in over the telephone by the court reporter.

MR. BRATTON: Yes.

MR. O'CALLAGHAN: Could you please swear the witness.

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Whereupon,

SAM I. BRATTON, JR.

was called as a witness and, having first been duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. O'CALLAGHAN:

Q Mr. Bratton, you may be represented by counsel today. Are you represented by counsel?

A No, I am not.

Q And you're aware that you are entitled to representation; is that right?

A Yes, I am.

Q If you have any objections to the form of questions, they will be noted for the record, and objections may be made on grounds of privilege or relevance. The Committee chairman will rule on objections where the witness refuses to answer a question.

Could you please state and spell your full name for the record.

A Sam I. Bratton, Jr., B-r-a-t-t-o-n.

Q Have you spoken with anyone other than

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counsel prior to this deposition about the deposition?

A There are people in my office and two or three other friends that know I'm having this deposition taken today. I have not talked with anyone about what I thought would be the substance of it.

Q Have you spoken with anyone in the White House about today's deposition?

A I have not spoken with anyone in the White House about it.

Q Did you take any steps to prepare for the deposition today?

A No.

Q You didn't review any documents?

A I looked briefly at the legislation that was passed in 1985 authorizing the Arkansas State Police to acquire a radio system.

Q Anything other than that?

A No.

MR. O'CALLAGHAN: I would like to go off the record for a quick moment.

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(Discussion off the record.)
BY MR. O'CALLAGHAN:
Q Back on the record. Mr. Bratton, could you describe your employment position between January 1, 1982 through approximately October of 1986?
A When in 1982?
Q Beginning of the year, January.
A January of 1982?
Q Yes, sir.
A I was in private practice of law, general practice as a solo practitioner, and did a significant amount of work for a private nonprofit corporation, advocacy services, largely dealing with special education issues for that organization. I began working in the governor's office again in the fall of 1983 and worked there until I left in the spring of 1989.
Q During your time of the governor -- when you were working in the governor's office, what was your position?
A The title of the position was counsel for legal and financial policy during most of that time.

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Q And did that change?
A I'm not sure that that was the title initially, but it was the title during most of that period.
Q And while you were counsel in the governor's office, did you do any work related to the Arkansas Housing Development Agency and its successor, the Arkansas Development Finance Authority?
A It was not one of the agencies that I had direct responsibility for in terms of the liaison role or relationship. I would have had some dealings with the agency primarily involving legislation that would have affected the agency that was being proposed by the governor's office or perhaps being proposed by others as part of my overall responsibility in dealing with legislative issues.
Q Did you have any involvement with the appointment process for board members or officers to ADHA or ADFA?
A No.
Q Were you ever involved in any discussions

involving appointments to those boards or those offices?

A It is possible that sometime during that four- or five-year period, I may have had some casual discussions with either Betsey Wright or Bob Nash about appointments, but it would have been a very casual nature. I was not directly involved in the selection or appointment of individuals to that board.

Q Were you ever told that Dan Lasater or anyone involved with Lasater & Company had an interest in having anyone appointed to the ADFA or ADHA boards?

A Not that I recall.

Q Who acted as the liaison for the governor's office to AHDA and ADFA?

A Bob Nash.

Q Was that during the entire time you were at the governor's office?

A I'm not sure whether Bob left the governor's office shortly before I did, but during the vast majority of the time between '83 and '89



when I was on the governor's staff, Nash had that responsibility. I think he may have left the governor's office to become director at ADFA before I left the governor's office but not by long as I recall. And I think probably Phil Price would have had that liaison responsibility after Bob Nash left.

Q During the period again 1983 through 1986, did you have any interaction with anyone who was appointed to the ADFA board or AHDA board?

A What do you mean by "interaction"?

Q Any contact or communications with anyone on the board?

A I don't recall now who was on the board during that period of time. It is possible that I may have had conversations with someone who was on the board, but I just simply don't remember who was on the board at that period of time.

Q Do you recall if you had any contact or communication with anybody named George Wright during that time?

A I know who George Wright was. I believe he was from Hope, and I had gone to school with some

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people who knew George Wright, and periodically when he would be in the governor's office, I would say hello to him or ask about mutual friends. I don't recall any particular conversations with him about ADFA business.

Q How about Margaret Davenport, any conversations with her?

A I know Margaret Davenport, and I have had various conversations with her, but I don't recall any specific conversations with her dealing with ADFA business.

Q During the period 1983 through 1986, did you have any conversations with anyone at AHDA or ADFA with regard to their selection of underwriters during that time period?

A Not that I recall. I wouldn't have had any direct responsibility for that.

Q Although you didn't have direct responsibility, do you recall being brought into that process at all or being consulted about it?

A I was probably aware of discussions involving the selection on one or two occasions.

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Q Do you recall what those occasions were and why that came to your attention?

A I think I was aware of discussions that involved -- well, I was going to say with the state police radio system. Was not actually an ADFA deal. May have been an ADFA deal or two that I was aware of the selection process, or just in a passing conversation with Bob Nash. He and I had offices next to each other and from time to time we would swap stories about what I was doing or what he was doing or problems that one or the other of us might be having in dealing with issues.

So it would probably have been that sort of conversation, not necessarily involved in a conversation that had directly to do with the selection process as such.

Q Were you ever involved with discussions with anyone in the governor's office about underwriting companies that anyone in the governor's office preferred over other underwriting companies to do business with AHDA or ADFA?

A Not that I recall.

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Q Did you ever hear that anyone at the governor's office suggested to anyone at AHDA or ADFA that Lasater & Company should be included in bond underwritings done by the agency?
A Not specifically with regard to Lasater. I was aware that there was a general philosophy that the underwriting business should be opened up to all Arkansas companies and not be as concentrated as perhaps it had been in the past.
Q Are you aware of any conversations or communications that the governor had with anyone at Lasater & Company with regard to their involvement in state underwriting business?
A No.
Q Are you aware of any conversations that Bob Nash had with anyone at Lasater & Company about their inclusion in state underwriting business?
A Not that I recall.
Q Do you know if Betsey Wright had conversations with anyone at Lasater & Company with regard to their inclusion in state bond underwriting?
A Not that I recall.

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Q During the time period 1983 through 1986, did you know anyone at Lasater & Company, or its predecessor, Collins, Locke & Lasater?
A I knew who the principals were. They were not people that I knew personally, but I knew who they were, and perhaps I may have known other people who were employed there at various times. I don't recall now.
Q Were you familiar with Dan Lasater at all?
A I don't know Dan Lasater. I have probably met him once or twice, but I don't know him. I certainly knew who he was.
Q You said you might have met him once or twice. Where did you meet him?
A I have no idea. I just assume probably at some point during that period of time I probably did.
Q Do you recall whether it was at your offices in the capitol building or at the governor's mansion?
A I don't know that I did meet him. I just assume I probably did at some point during there, so I don't have any idea where it would have been or

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when or what the circumstances would have been.
Q And I didn't set the foundation for this, but did you maintain an office at the capitol building during this time?
A Yes.
Q Did you also have anywhere at the governor's mansion that you worked, or was it just the capitol building?
A I attended meetings at the governor's mansion periodically.
Q Are you familiar with the name Michael Drake?
A Yes.
Q How do you know the name Michael Drake?
A He was an employee, I believe, of Lasater & Company at one period of time, and I think he perhaps represented Lasater & Company or was one of the Lasater & Company representatives during the enactment of the state police radio legislation and the subsequent decisions by the commission as to how to implement that legislation.
Q During the time period that I identified,

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did you ever have any meetings that involved Mr. Drake?
A Probably did.
Q What would the subject of those meetings have been?
A It would have --
Q Or what were the subject of the meetings?
A It would have dealt with our efforts to pass the legislation that was necessary to authorize the acquisition of the radio equipment.
Q Did you have any responsibilities with regard to either the drafting or the handling of the legislation to authorize financing for a police radio system in 1985 in Arkansas?
A I did not draft the legislation. I did have some responsibilities involving working with securing its passage.
Q When did you first become involved in these efforts?
A I don't recall. Sometime prior to the beginning of the '85 session.
Q And when did sessions typically begin?

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A Early January of odd numbered years, regular sessions.
Q How did you first become involved?
A I don't recall specifically. The state police became concerned that their existing radio system and equipment were obsolete. There were holes in the system where troopers couldn't reach the next trooper or their troop headquarters.
There was one situation where a trooper was killed during a traffic stop and there was some concern that his death might have been avoided if there had been better radio communications, so the state police raised with the governor their interest in and need for a more modern communication system. And there was some discussions between representatives of the state police and people on the governor's staff and with the governor, so it was kind of in that general sort of context. I don't remember specifically when those discussions first began.
Q Who did you have the first discussions on the subject with?

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A I don't know.
Q Do you know if it was with the governor, did he tell you that he was interested in financing a new radio system?
A I think I was generally aware from the state police of their interest in acquiring a system before I had any direct conversation with the governor about it. The state police may have brought it forward in their budget process in the fall of '84, it's possible.
Q Did you have liaison duties with the state police?
A I did not. The state police were not one of the agencies that I had direct responsibility for, but I had coordinating responsibility for all agency budget requests as the liaison between the governor's office and the Department of Finance and Administration, so to that extent, I had some relationship with every agency in terms of its budget and other financial matters.
Q Did you work with anyone else in the governor's office in relation to getting the

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legislation passed to authorize the police radio system?
A I'm sure there were several other people in the governor's office that were involved with it. I think Bob was to some extent.
Q Bob Nash?
A He was the state police liaison at that point. I think it may have been Mike Gaines would have probably been involved, and people who were working as legislative liaisons during the legislative session all would have been involved to greater or lesser extent in trying to secure its passage.
Q You said earlier Bob was involved and I didn't hear whether or not you said that was Bob Nash or not.
A Yes, I meant Bob Nash.
Q Did Betsey Wright have any involvement?
A Well, in terms of -- yes, because everyone on the governor's staff was responsible for trying to secure passage of legislation that the governor was supporting, and Betsey, as chief of staff, would have

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had overall responsibility for coordinating the efforts on all legislative initiatives that we were pursuing.
Q Did you have any discussions with the governor with regard to the costs associated with getting a new system?
A I'm sure I did.
Q Just to help refresh your recollection, do you recall whether he first brought up the issue of financing the radio system upon his return from the funeral for the state trooper who was killed in I guess it was called the "dead spot"?
A I don't recall.
Q Did he relate to you any conversations he had during the funeral of the trooper that he had with Colonel Goodwin of the state police?
A He may have. I don't recall at this point whether he did or not.
Q When did it first become clear that the preference was to finance the radio system through a bond offering? What part of the process?
A I can't tell you a specific day or even

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whether it was before the legislative session or early in the legislative session. It is my general recollection that it became apparent fairly early that the cost was such that a general revenue pay-as-you-go or payment of it out of the general improvement fund over a short period of time was not very feasible and that some type of long-term financing was the preferable alternative.

Q Do you know an individual by the name of Bobby Roberts?

A I'm sorry. I didn't hear the first part of the question.

Q Do you know an individual by the name of Bobby Roberts?

A Yes, I do.

Q Who is Bobby Roberts?

A He is president -- he is presently the director of the central Arkansas library system. At various times, Bobby worked on the governor's staff as a full-time employee and on certain occasions after he was not a full-time employee, he worked as a part-time employee during the legislative sessions,

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assisting in legislative relations and liaison work. When he worked on the staff full time, he had liaison responsibilities with a number of the what were referred to as the public safety agencies, and that included the state police.

Q Prior to the legislative session in 1985, did you have any meetings with any representatives from underwriting firms interested in participating in possible underwriting for the bonds for the radio system?

A I don't think so.

Q Do you recall meet with Michael Drake of Lasater & Company?

A I had some conversations with Drake during the session. I don't recall whether I ever had a conversation with Drake before the session or not. It's possible.

Q Did you have conversations with representatives from other underwriting firms with regard to the police radio system?

A I probably did. I can't tell you at this point who -- there were a number of folks who were

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interested in it.
Q Do you recall who the first underwriters that approached you with an interest in getting involved in the project were?
A I don't know that anyone approached me. I had some conversations, as I say, with Drake. Conversations that I recall having with him were during the session and had to do with efforts to see that the legislation passed, not so much with the underwriting. That wasn't my responsibility.
Q Do you recall how you first came in contact with Mr. Drake?
A No.
Q Do you recall if he contacted you or if you contacted him?
A I wouldn't have contacted him, I don't imagine.
Q Why is that?
A I wouldn't have had any reason to.
Q Between, let's say, October 1984 and July of 1985, did you have contact with anyone at Lasater & Company other than Mr. Drake?

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A Not that I recall.
Q What role did Mr. Drake have with regard to the legislation?
A I don't know that he had any role directly with it. During the time that legislation was being considered by the general assembly, Drake was just kind of hanging around, following it. Then from time to time he would come by and ask about whether we were making progress with passing it or whether there were problems and that sort of thing.
There was also another individual whose name was Young, who I think may have been affiliated at that point with Raney brothers, who was also one of the people who hung around here in the time that legislation was under consideration and would from time to time come by and talk with me or talk with Nash about were we going to be able to get it passed and were there problems with it and that sort of thing.
Q At any time that you met with Mr. Drake did he express to you his firm's interest in being hired as underwriter for the financing of the system?

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A I don't recall that we talked about it specifically. Clearly I knew Drake wouldn't be out there representing Lasater and tracking the legislation if they didn't have some interest in competing for whatever business might ultimately be available.
Q But did he specifically ever ask you whether or not they could participate?
A Not that I recall. Again, that was not my area of responsibility.
Q Notwithstanding that, did he ever indicate to you that he wanted you to contact the governor or anyone else in the office with regard to their interests in participating in the underwriting?
A I don't recall whether he did or not.
Q Did you ever -- between the, let's say, October '84 and the passage of the legislation -- excuse me. Let me reset the time period.
Between October '84 and the selection of the underwriters by the state police commission, did you ever visit Lasater & Company?
A I'm sorry, did I --

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Q Ever go over or visit Lasater & Company.
A I have no recollection of doing so, and I don't think I've ever been to Lasater & Company's offices.
Q Did you have any one-on-one meetings with Mr. Drake during this time period?
A I'm sure I did, as I said, and Drake pretty much hung around the capitol during the time this legislation was under consideration and would periodically stop by my office and inquire about how it was going, what we were going to do to try and get it passed, so I'm sure I probably had more than one discussion with Drake.
Q Was there one law firm that was involved with regard to writing the legislation that enabled the financing for the radio system?
A It's my recollection that the Mitchell firm drafted the legislation. I'm not positive about that, but that's my recollection.
Q Were they hired by Raney, T.J. Raney & Company to do that?
A I don't know who engaged them.

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Q Were they engaged by the state to do that?
A I don't recall. If I knew at the time who had engaged them, I don't remember at this point.
MR. FEUER: Michael, you should tell him that Neal has joined us.
MR. O'CALLAGHAN: Mr. Bratton, Neal Kravitz has just joined us.
MR. KRAVITZ: Mr. Bratton, I'm Neal Kravitz. I'm one of the lawyers on the Democratic staff.
THE WITNESS: Thanks.
BY MR. O'CALLAGHAN:
Q As a general course of business, did the state hire law firms to draft legislation with regard to issues they are interested in?
A Generally no.
Q Did you work with members of the Mitchell law firm in drafting legislation for the police radio system?
A I didn't work on the drafting of the legislation. I think I probably did work with a representative or two from the Mitchell firm as we

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were trying to secure passage of the legislation.
Q Did anyone from the governor's office have any interaction with anyone at the Mitchell firm with drafting legislation?
A Not that I'm aware of.
Q Did they provide the governor's office with different drafts of the legislation as they were working on it?
A I don't recall.
Q Mr. Bratton, when we had talked back in January earlier this year, I brought a couple of documents for you to look at. It's probably going to be difficult for you to recall what I showed you at that time. I asked you if you recognized any of the handwriting on it, on the different documents. I'm going to refer you now to the front page of a document I showed you, you did not recognize the handwriting, but I did show it to you, and it's on John S. Selig letterhead. The first page bears the Bates stamp numbers DKSN 017863 through DKSN 017875.
The first page is a handwritten note which reads "Sam, this draft is sufficient. There is no

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need for the other one I spoke to you about. John."
Again the letterhead reads John S. Selig. And
attached to it appears to be a draft of a bill
related to financing for the police radio system.
It's on -- there are a couple, appears to be a couple
different iterations, a short one and a long one.
Do you recall having any interaction with
Mr. John Selig with regard to the police radio
legislation?
A I don't specifically recall it. That note
is probably to me. I would have been the person that
would have received legislation if it were being sent
to the governor's office under most situations.
Q Who is John Selig?
A He's a partner in the Mitchell law firm.
Q And did you work with him -- do you recall
working with him generally on this matter?
A I don't recall specifically. I have some
general recollection that Selig had drafting
responsibilities. I believe the person that I
actually interacted most directly with was probably
Ann Ritchey, although I'm sure I probably had a

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conversation or two with Selig.
Q What was the nature of your interaction
with Ms. Ritchey?
A She was the Mitchell firm attorney who was
out at the capitol during the time the legislation
was being debated and provided answers to members who
had questions about the bill and so forth.
Q Did you have any meetings that involved
members of the Mitchell firm and members of Lasater &
Company and T.J. Raney together during this time
period?
A I don't think that I did. I certainly
don't recall it.
Q Did you participate in any meetings in the
capitol with regard to the radio bond offering that
involved Tommy Goodwin?
A Can you explain your question? I'm not --
Q Sure. During the time of I believe after
January, between January and May 10 when the state
police commission selected Lasater, Raney, Hutton
group to be the underwriters for the state police
bond issue, did you have any involvement in meetings

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at the state capitol that included Colonel Goodwin?
A Talking about the legislation, certainly, I'm sure I did any number of times.
Q Do you recall how many meetings approximately you were involved in with where Colonel Goodwin attended?
A I have no idea.
Q You said you'd had meetings about the legislation. What would those meetings entail?
A Well, any number of things. We had a meeting of pretty much the full governor's staff every morning during the legislation session that discussed what legislative initiatives we were pursuing that day and that week, so members of the Cabinet would oftentimes be present so that the radio issue was probably discussed any -- several times during that type of meeting.

There were probably meetings during the course of the day updating the governor on where we were with whatever legislation was our priority for that day. It would be recap meetings kind of at the end of the week where we would talk about what

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legislation we dealt with that week, what we were going to focus on the next week, so there could have been any number of times where I was in meetings where that particular bill along with others were discussed, at various times probably just talking to people in the Hall for two minutes. Any number of possibilities of all sorts of discussions during the time that it was under consideration.
Q Do you recall any meetings where they were called specifically to discuss the state police radio financing?
A Not specifically, although there probably were one or more.
Q Who would have attended those meetings?
A I don't recall.
Q Do you recall whether those meetings included any members of the Lasater or T.J. Raney firms?
A I don't recall participating in a meeting discussing the financing where representatives of those two groups were present.
Q How about --

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A If you're talking about the mechanics of how the legislation was going to work and that type thing, those would have been internal discussions that would involve people on the governor's staff and the Department of Finance and Administration.
Q Any members from the Mitchell firm participate in any of those meetings?
A It's possible.
Q Do you recall that that happened?
A I don't recall one way or another, but since they had done work on the drafting or the primary work on the drafting, it's entirely possible that they did.
Q Would it be more likely than not that they would, seeing how they did the work on the drafting legislation?
A I just simply don't remember.
Q During the general course of meetings that you have been involved with discussing getting mechanics of legislation together, is it typical to include the law firms that have worked on drafting legislation?

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A On those occasions where outside law firms have done work on some legislation, it was certainly not unusual for them to be involved in discussion with the governor's staff or the relevant agencies on efforts to pass the bill.
Q Were you involved in any meetings where discussions of selection of underwriters was mentioned?
A I may have been but not that I have any specific recollection of.
Q Were you advised of any meetings where the selection of underwriters were discussed that included members of the governor's staff?
A Was I generally aware that there were discussions in the governor's office that had to do with the selection of underwriters? Yes.
Q What type of discussions were held?
A I don't have any specific recollection.
Q Who was involved in the discussions?
A I don't recall.
Q Did there come a time when you became involved in any discussions with regard to selection

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of underwriters?
A I may have been present when there were some discussions about it. I don't recall at this point.
Q Mr. Bratton, specifically do you recall whether you had any discussions with Betsey Wright about the selection of underwriters for the police radio bond offering?
A I was probably present when there were discussions that went on. I don't recall specifically.
Q Are you aware of discussions that occurred with members of the governor's staff about the selection of underwriters prior to that selection being made?
A I was aware that there were some discussions in the governor's office regarding the fact that there was a contest among, I think, three different groups for the business. Beyond that, I don't recall the specifics of any particular conversation.
Q Were you ever involved in any discussions

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with the governor with regard to the selection of underwriters for the police radio contract?
A Not that I recall.
Q Do you recall what spurred the discussion about the selection of the three different groups, the competition between the three different underwriting groups?
A I'm not sure I understand your question.
Q Well, what caused the subject to come up in the course of conversation with members of the governor's staff?
A Well, it was something that was being dealt with by the state.
Q Are you aware whether any of the underwriting firms were favored by the governor?
A I have no impression that he had any particular preference as to what group of firms was selected.
Q Is that a current impression or at the time?
A I didn't have any impression at the time, and I don't have any reason to have an impression at

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this time.
Q So you haven't come to learn that he did have a preference for one firm or the other?
A I don't believe so, no.
Q I would like to identify for you a -- this might help -- may or may not help refresh your recollection with regard to conversations you might have had with regard to this issue. It's a one-page document which bears the Bates stamp DKSN 018184, and it's a memorandum to Betsey Wright from Mike Gaines dated May 15, 1985. The subject is ASP Communication System. I'll read it to you into the record seeing as how you don't have the benefit of having the document in front of you.
It reads "the financing K will be discussed by the communications subcommittee tomorrow and by legislative counsel on Friday. The Capital Resources Group, which did not get the ASP Communications' nod, intends to contest the award to Hutton, Lasater, Raney on the following points. 1, capital offer at a fix the rate rather than floating rate, and Capital's proposal was based on monthly payments by the state

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to repay the debt while H, L, R based their proposal on payments every six months. Capital points out that the legislation (written by H, L, R) requires monthly payments. (Act 817 attached. See highlights on page 5. )
"A proposal based on six-month payments can be lower because it allows the state to earn interest on the pledged revenues during that six-month period. Capital argues that this is not allowed under the law as written.
"I have discussed this with Sam and he is looking into it."
Do you recall having discussions with Betsey Wright of this nature about the subjects identified in the memo I just read to you?
A I have no specific recollection of it. Given the memo, it's entirely likely I did.
Q Do you recall looking into it, looking into the different -- reviewing the different proposals that were presented to the state police commission?
A I have no specific recollection at this point of having done so. It's entirely likely that I

did.
Q Do you recall whether you spoke with any of the commissioners on the state police commission about the proposals that were submitted?
A I don't recall having talked directly to any members of the commission. I may have, but I don't have any recollection of having done so.
Q Were you ever provided with the proposals that were presented to the state police commission for the underwriting by the different firms that participated in the competition?
A I don't recall whether I ever looked at all of the proposals in any detail. It's quite possible that I looked at them, but I simply don't recall.
Q Were you ever provided with an analysis of the different proposals that was prepared by the state police or someone hired by the state police?
A I don't recall. It's entirely possible that I saw them.
Q After the time the contract was awarded to the Lasater, Hutton, Raney group, did you have any discussions with anyone at that firm?



A During what period of time?
Q The contract I believe was awarded by the commission on May 10, any time after that, 1985.
A I don't recall.
Q Did you have any discussion with any members of the Capital Resources Group identified in the memorandum I just read to you?
A I don't recall.
Q Are you aware whether Betsey Wright with any contact with anyone at the Lasater firm?
A I don't recall.
Q I would like to read another document, describe it to you and then I'm going to ask you a couple of questions. It's a one-page document again. It bears the Bates stamp DKSN 018182. It's dated 5-13-85 and there's some handwritten notes on the top which read "file ASP Comm." It says "to Gov" and there's a check mark through that, "from BW, re: Knox Nelson, state police communications." Then there's a remarks section which reads "word I am picking up through Mahlon is that Knox intends to call a special meeting of his telecommunications

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study committee this week and that he is aiming for not letting a contract at all with investment firm but rather to borrow money from PERS. I assume he is talking about a low interest loan, but there's no way to justify that as the required PERS prudent investment. I have alerted Drake and suggested that he get an ASP commissioner to set an appointment with Senator Nelson ASAP to see if he has any questions about the proposal. Any other suggestions."

Q Were you ever made aware of Knox Nelson's intention to get a low interest loan through PERS rather than doing a financing through a bond underwriting?

A I was aware that he had some interest in that proposal.

Q How did you become aware of that?

A Probably from a conversation with Betsey Wright.

Q What was the substance of that conversation?

A I don't recall the specifics of it.

Q Do you recall it generally?

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A Not beyond what I've already said.

Q Did she ever tell you that she spoke to Michael Drake about Knox Nelson's intention to get a low interest loan from the retirement fund?

A She may have. I don't recall at this point.

MR. O'CALLAGHAN: Mr. Bratton, Mr. Kravitz is departing for a short time. I just wanted to let you know he was leaving the room.

THE WITNESS: All right.

BY MR. O'CALLAGHAN:

Q Did you have any conversations with anyone at the state police commission about the process of choosing the underwriters?

A Not that I recall.

Q Did Betsey Wright discuss with you that process at any time?

A I probably had some discussions with her about it.

Q Do you recall any discussions that you had with her on that subject?

A No.

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Q I should have described this to you earlier, but I'm going to go back briefly to a discussion of the Mitchell, Williams firm and their involvement in drafting legislation and any coordination they might have done with the governor's office. And I have before me a multipage document with a cover page on Mitchell, Williams, Selig, Jackson & Tucker letterhead. It's Bates stamped DKSN 017843 through DKSN 017853. And it's dated March 8, 1985 and it's addressed to Mr. Sam Bratton, office of the governor, re: state police financing bill. The letter reads "Dear Sam. Enclosed is an original and three copies of an amendment which will substitute the language of the bill we discussed over the phone today with language of the existing bill. Please review the amendment and let me know if you have any questions or want me to do any redrafting." It's signed "with best regards, I am cordially yours, John S. Selig."

Do you recall receiving that letter from Mr. Selig?

A I don't recall receiving it.

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Q Just to sort of more fully describe the document, the following nine pages, first page reads the Hall of the House of Representatives, 75th General Assembly, and it's for bill 944, to amend House Bill 944. It reads "for an act to be entitled 'an act authorizing the leasing of communications equipment for the department of the Arkansas State Police providing for the payment and security of the cost of the equipment and for other purposes'."

The second sentence of that letter which I just read to you reads "please review the amendment and let me know if you have any questions or want me to do any redrafting."

With regard to the request to let him know whether you wanted him to do any redrafting, did you have occasion to make suggestions for redrafting or ask for redrafting of the legislation to the Mitchell firm?

A In response to that letter?

Q Why don't we start in general. Do you recall ever doing that?

A I don't recall doing it. It's entirely

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possible that there was some problem with whatever draft they had done originally and that we may have suggested changes to it that were made by the Mitchell firm. That's certainly a possible interpretation of Selig's letter, but I don't recall what the specific nature of that request was.

Q Just generally I'm trying to get a feel for how the relationship was between your office and the Mitchell firm and just the mechanics of how the legislation was written and then brought through, whether that's consistent with how you operated.

A Well, there really wasn't any particular rules, if you will, for how we operated on input on legislation. There were all types of different situations depending on where the legislation was coming from and exactly what our role was in it. And I simply don't recall what changes may have been made from a first draft as a result of that amendment or why they were made. We would handle anywhere from 30 to 60 pieces of legislation that were governor's office legislation in every session and dozens and dozens of others that we had some interest in.

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That's been a long time ago and I simply don't remember what changes may have been done or why they were done, but it's entirely possible that there were some problems with whatever first draft we had and that we asked Selig or the Mitchell firm to make revisions. That is to say, that certainly seems to be what his letter implies, but beyond that, I don't have any specific recollection of what that might have been.

Q Do you recall any specific provisions that the governor's office wanted to see included in the legislation? I think you said you reviewed that earlier before the deposition, whether you recall that?

A I just looked very briefly at the act. I don't recall at this point anything that may be in the legislation that might not have been in a first draft. I simply don't have any recollection.

Q Do you recall whether in the legislation it had provision which called for the advice and consent of the legislature on the selection of the underwriting team?

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A I don't recall one way or the other.
Q So you don't recall whether that was the provision that the governor's office wanted to see put in there? You mean a provision that ended up in there requiring that it be reviewed by the telecommunications subcommittee or some other provision that wasn't in the final version?
A No, the one that was in there, in the final version. Is that something we suggested be included?
Q Yes, sir, that's the question.
MR. FEUER: Michael, just so we're clear, I think you used the phrase "advice and consent." I'm looking at page DKSN 018198, which is the sixth page of Act 817 as signed by Governor Clinton on April 4, 1985, and section 6, line 22 there says "for their advice and counsel."
BY MR. O'CALLAGHAN:
Q I apologize, I misspoke. So the specific language is "advice and counsel."
A I don't recall whether that's something that was in the bill as drafted by the Mitchell firm

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or whether that's something the governor's office suggested be included. It is probably something that if it were not -- if it had not been included originally, we might well have suggested that it be included.
Q Do you recall at what point the governor's office first began working with the Mitchell firm? Was it when they first began working on the legislation or had they already begun the work on it?
A I don't recall.
Q Do you recall whether the first time that the granting of the contract to the Lasater, Hutton, Raney group was brought before the legislative council, whether the council voted favorably on the contract?
A I don't recall.
Q I would like to read you a portion of the minutes of the meeting of the Arkansas legislative counsel from Friday, May 17, 1985. It bears our Bates stamp, DKSN 027211 through DKSN 027222. This was a document produced to the committee. And I will mention that it's not signed but it is a copy of the

minutes. And underneath the subheading of the "communications study committee, state police communications network," there's a portion which reads "the following roll call vote was then taken on the main motion by Senator Hoffman to give favorable advice to the state police commission's recommendation on the financing proposal submitted for the acquisition of the new communications network. The motion failed of adoption, 14 for and 12 against, with 16 votes being necessary for passage."

Does that refresh your recollection as to how the legislature first received the state police commission recommendation on the financing proposal?

A It doesn't particularly refresh my memory, but I have no reason to think that's inaccurate.

Q Are you aware of any lobbying done by the governor to any state legislatures to give favorable advice and counsel to the financing proposal that was recommended by the state police commission?

A I'm sure we did.

Q Were you involved in any of that lobbying?



A I probably was.

Q Do you recall with whom spoke with?

A No, I don't.

Q What was the nature of the lobbying that was conducted?

A It would have been to try and line up sufficient votes to gain a favorable advice from the council for the action that had been taken by the state police commission.

Q Do you recall whether anyone at Lasater & Company approached anyone in the governor's office about lobbying for the recommendation made by the state police commission?

A Not that I have any specific recollection of.

Q Are you aware of any influence that was brought to bear by anyone in the governor's office to the state police commission with regard to which underwriting firms to go with on the police radio offering?

A Not that I have any recollection of.

Q Have you ever heard that happen, that

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pressure was brought to bear on any of the police commissioners to choose a specific underwriting firm or group of firms?

A Not that I have any recollection of.

Q At the time in around May -- let me rephrase that.

Between the time that the beginning of the legislative session in January of '85 and the time of the -- that the legislature gave favorable advice and counsel for the recommendation made by the state police commission, was there any concern -- let me rephrase that.

Are you aware of -- was there any concern expressed by anyone in the governor's office with the use of the Lasater firm as a participant in the bond underwriting for the radio system?

A Not that I recall.

Q During the time period, were you aware of any illegal activity that was engaged in by Dan Lasater or anyone at Lasater & Company?

A No.

Q Are you aware of whether anyone in the

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governor's office had knowledge of illegal activity engaged in by Mr. Lasater or anyone at Lasater & Company?

A Not that I was aware of.

Q Did anyone from the governor's office make inquiries of the state police as to whether there were any ongoing investigations involving Mr. Lasater during the time period I just identified?

A I don't know.

Q Did you have any conversations with the governor during that time period about any possible legal activity engaged in by Mr. Lasater?

A I don't think so. Not that I recall.

Q Did you attend any meetings with regard to the police radio system which the governor attended as well?

A Yes.

Q How many meetings was he involved in or did he attend?

A I have no idea. There were any number of meetings during the legislative session at which the governor would have been present where that would

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have been one of a number of issues that were being discussed.
Q During any of those meetings, were the selection of underwriters a topic of discussion?
A I'm sorry?
Q During any of the meetings where the governor participated, was the selection of underwriters a topic of discussion?
A Not that I recall.
Q Between the time period January 1983 and October 1986, were you familiar with the relationship that existed between Governor Clinton and Dan Lasater?
A I'm sorry, I couldn't hear that question.
Q Were you familiar with the relationship that existed between Governor Clinton and Dan Lasater between 1983 and 1986?
A I don't know what their relationship was or was not.
Q Did you ever have any conversations with the governor that involved Mr. Lasater?
A I don't recall.

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Q Were you ever at any meetings with the governor that Mr. Lasater attended?
A I don't believe so.
Q How about social functions where the governor and Mr. Lasater attended?
A I don't know, don't have any recollection.
Q Do you know whether or not Mr. Lasater ever visited the governor's mansion?
A I have no idea.
Q Did Governor Clinton ever visit Mr. Lasater at his offices at Lasater & Company?
A I have no idea.
Q Have you ever flown on a Lasater-owned aircraft?
A No.
Q Do you know if the governor has ever flown on a Lasater-owned aircraft?
A I don't know.
Q Do you know Roger Clinton?
A Yes.
Q How do you know him?
A Because he was the governor's brother.

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Q During the time period we have been discussing, January 3 through October 1986, how well did you know Mr. Clinton? Or did you know him? Did you know him is the first question at that point.
A Roger Clinton?
Q Yes, sir.
A I knew who he was because he was the governor's brother. I didn't know him beyond saying hello and speaking to him.
Q During that time period, did you ever become aware that Governor Clinton asked Mr. Lasater to find Roger Clinton a job?
A I don't think I was aware of that at the time.
Q Were you aware that Mr. Lasater loaned Roger Clinton money during that time?
A I'm aware of that now. I wasn't aware of it at the time.
Q How did you become aware of that?
A From press reports in the last few years.
Q Do you know whether during the period 1983 through October 1986, whether Governor Clinton had

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any knowledge of the loan from Mr. Lasater to Roger Clinton?
A I don't know.
Q During the year 1984, did you attend any fund-raisers held by Mr. Lasater or sponsored by him?
A I don't believe so.
Q Are you aware that Mr. Lasater held any fund-raisers for the governor?
A I don't know.
Q But you have attended fund-raisers for the governor; is that right?
A Certainly.
Q Are you personally aware of any contributions Mr. Lasater made to Clinton campaigns or inaugurals?
A I don't recall.
Q Did anyone at Lasater & Company attempt to provide the governor or anyone in his office money in connection with any state bond underwritings?
A Not that I ever had any knowledge of.
Q Have you ever been told that that happened?
A No.

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Q Do you have knowledge of whether anyone ever offered a member of the AHDA or ADFA board cash or other remuneration in connection with the bond underwriting?
A I don't believe I've ever heard that allegation.
Q I guess just unfortunately, you're a lawyer yourself, Mr. Bratton. I just want to make sure we're clear. Do you have any knowledge of that happening rather than just hearing it?
A No, I have no knowledge of it.
Q Do you have any knowledge whether anyone offered cash to a member of the Arkansas State Police Commission in connection with the police radio bond underwriting?
A I have no knowledge of that happening.
Q Do you have any knowledge whether Mr. Lasater provided any money to the governor or anyone in the governor's office in connection with the state bond underwriting?
A No.
Q Do you know or have you ever heard that

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money laundering was conducted in connection with AHDA or ADFA bond offerings or underwritings?
A I'm sorry. I didn't understand the question.
Q Certainly. Do you have any knowledge or have you ever heard of whether there was any money laundering associated with the AHDA or ADFA bond offerings or underwritings?
A In the last year or so, I had seen some ludicrous suggestions that that sort of thing happened. I never heard any suggestions of that at the time I was in the governor's office.
Q And where did you hear those suggestions or how did you hear it?
A Well, I think it was articles from the American Spectator or other such publications.
MR. O'CALLAGHAN: Off the record for just a second, Mr. Bratton. I'm going to take a minute to review my documents and make sure that I have covered everything I want to. I should be wrapping up soon, and if Mr. Feuer has some questions, he'll follow up. So if you just bear with me for a minute.

THE WITNESS: Sure thing.
(Discussion off the record.)
BY MR. O'CALLAGHAN:
Q Back on the record.
Mr. Bratton, while you were in the governor's office during the period 1983 through 1986, did you have any liaison duties with regard to the Arkansas Securities Department?
A Yes.
Q During that time period who was the head of the Arkansas Securities Department?
A Beverly Bassett.
Q And again during the time period 1983 through 1986, did you have any conversations with Ms. Bassett with regard to either Collins, Locke & Lasater or Lasater & Company?
A Yes.
Q Was there more than one conversation?
A I probably had more than one conversation with her about Lasater's firm, but I can't tell you for sure what time frames those conversations were in, whether they are within the time frame we're



talking about or whether they were at a later time frame.
Q Well, do you recall what the subject of the first discussion you had with her with regard to the Lasater firm was?
A No.
Q Do you recall the subject of any of the discussions you had with regard to the Lasater firm?
A I had some discussions with her -- again, I'm not sure whether it was before '86 or after '86 at this point -- regarding some problems that Lasater had with the NASD and later, as a result of that I think, with the Arkansas Securities Department.
Q What were the nature of the problems that you discussed?
A I don't recall the specifics of it.
Q How was that brought to your attention?
A By Ms. Bassett, as I recall.
Q And why did she bring this issue to your attention?
A Well, I was the liaison with her agency, and one of my responsibilities was that keep up with

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matters that were being dealt with by the agencies that I had liaison responsibilities with.
Q She was contacting you about a specific potential violation involving Lasater & Company?
A She contacted me regularly about a wide range of issues that her agency was dealing with at any particular time.
Q Did she commonly contact you with regard to possible investigations of violations -- let me rephrase the question.
With regard to the Lasater firm, she informed you about possible problems that they were having with the NASD; is that right?
A That's my recollection.
Q Was it common for her to bring to your attention problems that financial firms were having with the NASD?
A Yes.
Q How was that usually presented?
A Usually in telephone conversations.
Q And what was the purpose of informing you about that, about possible problems that financial

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firms were having with the NASD?
A Well, it was generally in terms of whether those problems would also involve action that the state securities department would be taking.
Q Did she inform you of all action that the state securities department took with regard to potential violations committed by firms?
A I'm sorry. I didn't hear the first part of the question.
MR. O'CALLAGHAN: Why don't you read it back?
(The reporter read the record as requested.)
THE WITNESS: I don't know that she advised me of every potential enforcement action that the department was planning to take, but it was fairly routine for her to do so, so the vast majority of those type actions she would have made me aware of.
BY MR. O'CALLAGHAN:
Q What was the purpose of informing you about the department's taking this kind of action?
A Because that was my responsibility was to know what actions were being taken by the agencies

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that I had liaison responsibility for.
Q So she gave you regular updates about potential investigations being conducted by the department?
A I don't believe I said potential investigations. It was routine practice for her to advise me of actions that the department was about to take in terms of regulatory actions.
Q When we spoke back in January, I showed you a note on state of Arkansas stationery, "Beverly Bassett, Securities Commissioner" stationery. It's dated I believe 5-28-86, and it reads, or could be 5-20. It's kind of hard to tell from the copy. It reads "Sam, enclosed for your information is a note we received today from Bob McHenry, one of the attorneys for David Collins, BB." Then underneath that is the "Beverly Bassett, securities commissioner." Bates is DKSN 027258.
After having read that to you, and I believe you stated earlier that you recognized that as Beverly Bassett's handwriting, does that refresh your recollection as to -- is that the contact that

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you just identified with Ms. Bassett?
A I don't know whether that was the first conversation I had with her regarding that firm or not.
Q Other than just generally giving an update as to the work that the state securities commission was doing, did Ms. Bassett relate to you any other reason why she was bringing this to your attention?
A I don't recall.
Q Was she ever told to keep an eye out for any actions involving the Lasater firm?
A Not by me.
Q Do you know if she was told by anyone to do that?
A Not that I know of.
Q Do you know if she was told to inform the governor's office about potential action --
A I'm sorry, you're breaking up. I couldn't hear the question.
Q I'm sorry, I was talking into the table. Are you aware whether she was or anyone at the commission was told to report to the governor's

office with regard to any action the commission was taking with regard to firms that were involved in state business, doing business with the state, rather?

A Not that I'm aware of.

Q Do you know if that was a policy?

A I'm sorry. I didn't follow your question.

Q Do you know if that was a policy of the commission to keep the governor's office informed of any action or potential action contemplated against firms that were doing business with the state of Arkansas?

A It was common practice for her to advise the governor's office of action that the department was taking against any licensees.

Q Did the commission file a periodic report with regard to the work that they were conducting?

A No.

Q Are you aware of any other -- can you identify any other instances during the time period 1983 through 1986 that Ms. Bassett informed you about any potential action the commission was going to take



against other firms in Arkansas?

A I'm sorry, I couldn't hear part of that question.

MR. O'CALLAGHAN: Would you read it back, please?

(The reporter read the record as requested.)

THE WITNESS: I don't know within that specific time frame, but there were several other occasions where she would advise me in advance of regulatory actions that the department was planning on taking.

BY MR. O'CALLAGHAN:

Q Was that with regard to investigatory or disciplinary action with regard to a financial firm?

A Yes.

Q Do you recall what firm?

A There were several different ones during that period of time and later.

Q What period of time were you referring to?

A Well, from whatever time she took over as securities commissioner until I left the governor's office in '89.

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Q I'm going to read you another note on Beverly Bassett stationery, I believe dated 5-20-86. It reads "Sam, FYI, by the way the complaint does not allege what is stated in paragraph" -- it's difficult to tell what the paragraph is that is identified but in paragraph unidentifiable, I think it's in paragraph 1 -- "in the Gazette article. They must be referring to paragraph 14 of the complaint. The SEC and NASD did file complaints on this matter back in 1983. No complaint was ever filed by the" --

A Your voice is coming and going. I can't hear the question.

Q "The SEC and NASD did file complaints on this matter back in 1983. No complaint was ever filed by the Arkansas Securities Department." Does that help refresh your recollection as to the conversation you had with Ms. Bassett on this matter?

A No, it doesn't.

Q To your recollection, do these notes refer to action being taken against Lasater & Company?

A I don't know.

Q Did you ever become aware that Lasater &

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Company had problems with their net capital levels at any time?

A At some point. I don't recall when that was.

Q Do you recall whether it was contemporaneous with when the company was experiencing those problems?

A I don't recall the time frame.

Q So you don't recall whether it was before or after it happened?

A Do I recall whether I knew it at the time it was happening?

Q Yes, sir.

A I didn't follow your question.

Q That was basically the question, yes, sir.

A I think I became aware of it shortly after the securities department became aware of it, at whatever point that was I simply don't remember.

Q How was it brought to your attention?

A I'm sure by Ms. Bassett.

Q Do you recall how she brought that to your attention, whether she called you on the phone or

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wrote you a letter, or how it was done?
A Probably in a telephone conversation. That was normally the way we communicated.
Q Was there any action that was suggested by her?
A I don't recall.
Q Typically would she make a recommendation or would you make a recommendation as to what should be done with regard to finding out that a company was in possible violation of NASD rules?
A It wasn't my responsibility to make recommendations to her. The normal course of events was when the department had determined what action was appropriate, she would advise me of what action they planned to take.
Q So what was the purpose of informing you of --
A I can't hear you.
Q I'll withdraw the question.
Did you keep -- did you update the governor on matters of this nature after you received reports from Ms. Bassett?

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A On some occasions, I would. On others, I wouldn't.
Q Do you recall whether you informed him about reports on the Lasater firm?
A I don't recall.
Q But you do recall giving him updates on Ms. Bassett's report on different firms at some point?
A On occasions I would. Sometimes I wouldn't.
Q And what would be the purpose of informing the governor about that?
A Well, particularly if the department was going to take some major enforcement action so he wouldn't read it in the newspaper.
Q Did you ever hear that in relation to the police radio bond financing and the proposal submitted by Lasater & Company, that there were suspicions that the bid submitted by Lasater & Company was lower than the price they could deliver?
A I don't recall that.
Q Have you ever heard that?

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A I think I may have heard recently that there was some allegation to that effect at the time, although I don't recall having heard it at the time.
Q How did that come to your attention?
A I don't know.
Q Do you recall who came up with the idea of financing the police radio through a bond offering?
A I don't recall specifically, but the financing mechanism was one very similar to what had been used to finance the construction of the new state police headquarters, I believe, and was somewhat similar to a financing arrangement that had been used to finance some projects for the department of corrections, so it was similar to things that we had done before.
Q Was it a suggestion made by someone in the state government or was it a suggestion made by one of the outside underwriters?
A I don't recall, but it was not anything particularly novel.
Q I'm just going to -- this might help you, it may not, and I should be done pretty soon. It's a

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document that bears the Bates stamp DKSN 017951 through 017954. It's a memorandum to Sam Bratton from Bobby Roberts, dated November 9, 1984, subject, state police budget.

In the second paragraph of the memorandum, it reads "we should also approve the $26 million for the communications system with the following stipulations. 1, it be purchased either by lease or bonding over a 10-year period with the funds to come out of driver's license fees. These dollars will then be replaced from general revenue."

Do you recall receiving a memorandum from Mr. Roberts of this nature?
A I don't recall it, but I probably did.
Q Does that republic refresh your recollection --
A I couldn't hear you.
Q Does that help you remember where the idea for doing a bond underwriting first came from, whether it was his idea or someone --
A I don't recall whether Bobby was the first one to suggest that or not. As I said, that wasn't

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anything particularly novel or unique. It was something we had done in the past with some other projects. Bobby may have been the first one to suggest it be done for the state police radio system or someone may have suggested it to him. I simply don't know, but as I say, it wasn't anything particularly unique.

MR. O'CALLAGHAN: Off the record for a second.

(Discussion off the record.)

BY MR. O'CALLAGHAN:

Q Back on the record. Mr. Bratton, in front of me I have a one-page document, it's a handwritten note, bears a Bates stamp DKSN 017800. And at the top left-hand corner, it looks like it says 3-4. There's a list of names. Paul Young, M. Drake, John Selig, Mahlon, Joe, then Mike G. And there's some handwriting on the upper right-hand corner which reads "SESS-state place radio." Then it has a description which reads "10-year/purchase. Hutton. Government lease be would lessor, signed ownership to trustee, sell certificate. Participate. 4.7 rate.

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Net to state. Reads will insure project. 1 percent cost for insure. Have DR license revenue as pledged to insurer by annual appropriation. Without pledge insure be about 1.5 percent. 26,420,000 total funding. Annual debt service -- gross. 3,500,000 dollars/net. $3,050,000." It says "$23,500,000 needed."

My first question is when you kept documents, did you ever make notations in the upper right-hand corner identifying what the document was? Was that a practice you used?

A What is the notation in the upper right-hand corner?

Q I believe it says "SESS," S-E-S-S, "state police radio."

A Yes, and that would be a reference as to where something should be filed, and SESS would be shorthand for legislative session files. That would be a shorthand I would have used.

Q And just also to help you identify, it's written at an angle across the right hand top corner. I don't know if that was a common practice

of yours or not.
A It was.
Q Do you recall writing the note that I just described to you?
A No.
Q Do you recall a meeting which involved Paul Young, Michael Drake, John Selig, somebody by the name of Mahlon, possibly Mahlon Martin, somebody by the name of Joe and somebody by the name of Mike G.?
A I don't recall it. It sounds like it's -- without seeing the handwriting, I don't know whether it's a note -- either notes I made or notes that were sent to me for filing.
Q The handwriting I can identify pretty confidently is the same as the handwriting of the notation in the upper right-hand corner. It appears to be the same. And I believe it's similar to other handwriting that you've identified as being your own.
A It may well be, then. I don't recall the meeting specifically.
Q But the name I just read you, would that be



typical for a group meeting with regard to the state police radio system?
A Could well have been.
Q So were you having conversations with members of Raney and Lasater and the Mitchell firm with regard to the mechanics of what the financing would be for a potential offering?
A That's what it sounds like.
Q Did you engage in conversations with underwriting firms of this nature?
A Of what nature?
Q Discussing the specific terms of a potential underwriting?
A Well, I don't think that is specific terms of an underwriting.
Q Rather the mechanics of the financing, excuse me, how it would be set up.
A We may well have had conversations with folks either -- it may well have been at their request or ours. I have no idea. Obviously, there was some discussion.
Q I have another document which might clear

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up a question I asked you earlier which reads "state police communications bid analysis." It bears a Bates DKSN 027364 through 368, and again it has angled handwriting, upper right-hand corner that says "state police" and it's underlined.

It reads "attached are the analysis sheets used by the state police commission to arrive at the decision to award the financing to E.F. Hutton, T.J. Raney and Lasater. Do you recall receiving a document like that?

A I don't recall, but as I had earlier, I may well have.

Q That doesn't refresh your recollection as to whether you reviewed analyses that were done by state police commission to arrive at their decision to award the financing to the --

A As I said before, I don't recall whether I did or not. It's entirely possible that I saw the document. I don't recall.

Q And I identified to you earlier two notes from Beverly Bassett and I brought down a full set of documents that were produced in connection with those

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or sequentially with those documents. And the first note which read "enclosed for your information is a note we received today from Bob McHenry, one of the attorneys for David Collins." And it reads -- it's second page is "memo from Bob McHenry to Tom Bull, 5-20-86. Subject, David A. Collins." Then it reads "Dear Tom. David John Haley et al., all noted a mistake in George Bentley's article regarding Collins versus Lasater et al. We did not contend that Lasater's actions in May, June, July and August of 1983 had anything to do with the Arkansas Securities Commission's complaints of last week."

Does that refresh your recollection as to conversations you had with Ms. Bassett with regard to the Lasater firm?

A No, it does not.

Q Do you recall receiving a copy of a complaint made by Mr. Collins against Dan Lasater?

A I don't recall having received a copy. It's entirely possible I did.

Q Other than the problems with the net capital that were identified for you by Ms. Bassett

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that Lasater & Company experienced, do you recall any other conversations you had with her with regard to Lasater & Company?

A I don't recall.

Q Mr. Bratton, did you ever attend a meeting in or around January of 1985 sponsored by Lasater & Company and E.F. Hutton at the Legacy Hotel in Little Rock?

A I don't remember having attended any meeting.

Q Do you recall if you attended any meetings sponsored by Lasater & Company with regard to making a pitch to get state bond or financing business from the state?

A Not that I recall.

MR. O'CALLAGHAN: I have no further questions at this time.

EXAMINATION

BY MR. FEUER:

Q Mr. Bratton, let me introduce myself again. My name is Mitchell Feuer. I'm counsel on the Democratic staff of the Senate Banking

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Committee. And for purposes of this deposition, I'm going to ask you a few questions on behalf of the Democratic Senators who serve on the special Whitewater committee.

A I understand.

Q If you can't hear my question or you don't understand my question, please let me know and I'll repeat it or rephrase it for you. The way these depositions are conducted, the Republicans go first and the Democrats go second, so there -- I'm going to cover a few of the areas that Mr. O'Callaghan has already covered. I apologize for the repetition.

A I understand.

Q And I will try to make it as quick as possible so you can go back to the more important business of looking after the interests of Arkansas's utility customers.

When the Clinton administration assumed office in 1983, did Governor Clinton have a policy of favoring inclusion of Arkansas securities firms in state underwriting business?

A Yes.

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Q Did the Clinton administration beginning in --

A I don't know precisely when that policy was developed. When I went to work back on the governor's staff in late '83, it was my understanding that was the policy regarding state bond business.

Q And when you went back on Governor Clinton's staff in late 1983, was the Clinton administration using a greater number of securities firms for state bond underwriting work than had the administration of his predecessor, Frank White?

A It is my impression that that was the goal, to have state bond business be as open and available to all companies in the state as possible. I don't know what the White administration record had been specifically.

Q Were certain underwriting firms excluded because of the -- strike that.

Were certain underwriting firms excluded from state underwriting business because they had failed to support Governor Clinton?

A I certainly never had that impression.

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Q Did you have an impression as to whether the Stevens, Inc. firm had been supportive of Governor Clinton or opposed to Governor Clinton?

A At various times it was my impression that the Stevens firm had both supported and opposed Governor Clinton or on some occasions in some parts of the firm supported him and others opposed him.

Q Was the Stevens firm ever excluded from state bond underwriting contracts because they had at any time opposed Governor Clinton?

A It was my impression that the Stevens firm had a smaller share of state bond business during the Clinton administration than they had historically had, but that was largely because they historically had had a very, very high percentage of that business and the Clinton administration made a concentrated effort to open the process so that other smaller Arkansas firms could participate.

Q Were you aware that an Arkansas state trooper had been killed while outside of radio contact with his home base?

A Yes.

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Q Did the killing of that state trooper receive a lot of attention in the press?
A Yes.
Q Did the fact that the trooper was killed while outside of radio contact with his home base or with backup units, did that fact receive attention in the press?
A It's my recollection that that was covered in part of the press coverage of his death.
Q Prior to the session of the Arkansas legislature that began in January 1985, was it a secret that the Arkansas State Police wished to acquire a new radio system?
A Certainly not.
Q Was the fact that the Arkansas State Police wished to acquire a new radio system well known in the state of Arkansas prior to January of 1985?
A I don't know how well known it was, but certainly the death of the trooper put a public focus on what had already been a significant need for improving, upgrading and modernizing the state police's radio capabilities.

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Q Did you have an impression that securities firms in the state of Arkansas or outside the state of Arkansas had become aware of that need and were -- let me stop there -- had become aware of that need?
A I think generally, yes, at some point.
Q Did you have an impression whether securities firms inside or outside the state of Arkansas were considering whether the need for a new police radio system presented a business opportunity for them?
A Certainly it was -- given the magnitude of the costs involved, it was the type of project where the state would not in all likelihood try and finance it through general revenues in one bienniums or two bienniums, which would indicate we would be looking at some type of other financing alternatives.
Q What was the nature of the contest that the Arkansas State Police Commission conducted among the three or four firms or groups of firms that applied for the underwriting business?
A I'm not familiar with the details of how that process worked. My general impression is that

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the state police commission put out a request for proposals and that interested combinations of firms proposals in response to the commission's RFP and then the commission subsequently evaluated those requests and made a decision as to which group it would recommend for the contract, for the financing.

Q Was it your impression in 1985 that the contest was a competitive process?

A That was my impression.

Q Was it your impression that the state police commission would award the contract to whichever firm or group of firms submitted the best proposal?

A That was my impression and my understanding of what the law required them to do.

Q Did anyone tell you in 1985 that the contest was a sham?

A Not that I recall.

Q Did anyone tell you that the fix was in on the contest and that Lasater & Company would be awarded the contract, whatever proposal it submitted?

A I certainly have no recollection of that.

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Q Did Betsey Wright tell you that?

A No.

Q Did Bob Nash tell you that?

A No.

Q Did anyone at the Arkansas State Police Commission tell you that?

A I don't recall having discussed it with anybody, the details of their process or how they were going about it with anyone at the commission, but I certainly don't recall anyone at the commission telling me that it was a sham.

Q Did you ever hear anyone in the governor's office say that Lasater & Company would receive the contract from the state police commission regardless of what kind of proposal they submitted?

A No.

Q Have you learned anything since 1985 that has given you the impression that the Raney, Hutton and Lasater firms were awarded the contract for any reason other than that they submitted the proposal that allowed the state of Arkansas to borrow money at the cheapest cost?

A No.
Q During your time on Governor Clinton's staff, did individuals or business firms in the private sector ever make suggestions to the governor or the governor's staff regarding legislation?
A Certainly.
Q Did individuals or business firms in the private sector ever provide drafts of legislation that they hoped to see enacted?
A Certainly. Not at all uncommon.
Q Did the state of Arkansas lease the new police radio system rather than purchase it outright?
A I'm sorry. I couldn't hear all your question.
Q Did the state of Arkansas lease the new police radio system rather than purchase the system outright?
A It's my recollection that it was a lease/purchase type situation and that the state would ultimately own the system.
Q Did the legislation that was enacted authorizing the lease/purchase of the new radio



system --
A I'm sorry, I didn't hear all of that.
Q Strike that. I hadn't finished it.
What source did the legislation that was enacted contemplate as a source of funds for lease payments?
A The funding source were fees from various types of motor vehicle operators' licenses, I believe.
Q And did the legislation provide that revenues received from motor vehicle licenses would be deposited into a special fund?
A Yes. That was done so that the funds would be "cash funds" rather than being general revenues of the state. If they were deposited directly into the treasury, they would become general revenues. So to avoid their becoming ever characterized as general revenues, they were deposited in a special fund.
Q Did the legislation stipulate how often those motor vehicle fees were to be deposited into the special fund?
A I don't recall. I assume it would probably

have been done on a monthly basis.
Q Had the state of Arkansas issued bonds prior to this police radio bond underwriting in 1985? At any point prior to this, to the state police radio underwriting, had the state of Arkansas ever issued bonds?
A The state had issued housing bonds before that through the housing agency and had done the financing arrangements that were bonds or similar to bonds using a cash funds type source of funding. As I had indicated earlier, we had done something I think were called certificates of -- I can't recall the specific title, but referred to as something other than bonds but were very similar to revenue bonds that were used for construction of facilities at the Department of Corrections, and I believe the portion of the driver's license revenues had previously been used to finance the construction of the new state police headquarters facility.
Q Did the bonds issued by the state of Arkansas and the various state agencies prior to the bonds issued by the state police commission typically



provide that the bondholders would receive payments of interest and principal twice a year?
A I don't recall.
Q Did the legislation that was enacted authorizing the acquisition of the new radio system stipulate that investors who purchased bonds issued by the state police commission receive payments of interest and principal more often than twice a year?
A I don't recall.
MR. FEUER: Those are all the questions I have at this time.
MR. O'CALLAGHAN: And I have nothing further either, Mr. Bratton. We thank you for your time. And I don't know if you've been contacted about hearings next week, but with regard to scheduling that, I will be in contact with you. Mr. Brenner will probably be doing that.
Do you have anything you want to clarify or any questions you would like to ask us?
THE WITNESS: I don't think so.
MR. O'CALLAGHAN: Once again, thank you for your time and have a good evening.

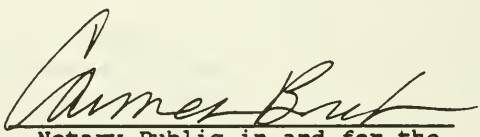
MR. FEUER: Thank you, Mr. Bratton.
THE WITNESS: Thank you.
(Whereupon, at 4:36 p.m., the deposition was concluded.)

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SAM I. BRATTON, JR.

## CERTIFICATE OF NOTARY PUBLIC & REPORTER

I, CARMEN BUNCH, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.



Notary Public in and for the
District of Columbia

My Commission Expires MARCH 14, 1998

# DEPOSITION OF FRANK B. BURGE
# IN RE: S. RES. 120

**TUESDAY, APRIL 23, 1996**

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER
DEVELOPMENT CORPORATION AND RELATED MATTERS,
*Washington, DC.*

Telephone deposition of FRANK B. BURGE, called for examination pursuant to notice of deposition, at 3:25 p.m. in Room 537 of the Dirksen Senate Office Building, before BRENDA M. SMONSKEY, a Notary Public within and for the District of Columbia, when were present:

DOUGLAS R. NAPPI, ESQ.
Majority Counsel
LANCE COLE, ESQ.
Minority Deputy Special Counsel
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Building
Washington, DC 20510
On behalf of the Committee.

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PROCEEDINGS

MR. NAPPI: This deposition is being conducted pursuant to Senate Resolution 120. This resolution establishes a Special Committee administered by the Banking Committee to conduct an investigation involving Whitewater Development Corporation and other related matters. Section 1(b) of Senate Resolution 120 authorizes investigation and public hearings into a number of matters, including the activities, investments and tax liability of Whitewater Development Corporation and as related to Whitewater Development Corporation of its officers, directors and shareholders. This will be the focus of today's deposition.

This deposition is being conducted in advance of public hearings. You may be called to testify at those public hearings. We will ask a series of questions. You will be testifying under oath. If you don't understand a question, let me know and I will rephrase. If you need a break, please let us know.

The stenographer will prepare a record of

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questions and answers. Depositions will be treated as "committee confidential" until the commencement of the hearings. Prior to the hearings, you will receive a letter from the Committee telling you that you may come to the Senate to review the transcript of your deposition and make note of any corrections for transcription on an errata sheet.

If you are called to testify at a public hearing, you will be permitted to have a copy of your deposition transcript four days in advance of your testimony.

You may be represented by counsel. Objections to form of question will be noted for the record. Counsel may object on grounds of privilege or relevance.

The Committee Chairman may rule on objections where the witness refuses to answer a question.

Would you please swear in the witness.

Whereupon,

FRANK B. BURGE

was called as a witness and, having first been duly

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sworn, was examined and testified as follows:

EXAMINATION

BY MR. NAPPI:

Q Please state your full name for the record.

A Frank Blaine Burge.

Q Since you have previously been deposed, Mr. Burge, I'm going to dispense with the preliminary questions on your background.

A Okay.

Q If I could turn your attention to the time when you were employed at the Citizens Bank of Flippin in Flippin, Arkansas, could you just state for the record when you entered employment at Citizens Bank.

A I believe it was either the -- it was May of 1975.

Q And you were employed there until 1980?

A September of 1980, yes.

Q And in what capacity were you employed there between August of 1978 and the end of your employment?

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A I was a senior vice president in August of 1978 and became president of the bank in March of 1979 and I was president until I left on September 30.

Q Were you a member of the board of directors?

A I was.

Q As an executive VP and as president?

A Yes.

Q Were you the loan officer who initiated the Whitewater loan to the Clintons and McDougals?

A I was one of the officers that processed the loan. The loan was basically brought to the bank by a realtor, Chris Wade, and the then-president and bank executive, James Patterson, and I worked on processing.

Q What did you do to process the loan? What did that entail?

A Basically, we had a copy of the contract for the sale of real estate, also known as "offer and acceptance." Basically prepared documentation pertaining to the loan, requested financial

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statements. I did the appraisal on the property and then presented it to the board of directors for approval.

Q Do you recall the meeting of the board of directors where this loan was considered?

A For the most part.

Q I'm not asking if you recall every detail.

A Okay.

Q Did you express concern to the board about this loan with respect to a high concentration of loans in that geographic area?

A Yes, I did.

Q It was your feeling that the bank had too much of its portfolio in that area?

A Well, not too much of its existing portfolio. It is just that the bank was entering into a transaction in which a large section of land was being acquired, and the majority of the acquirers were coming to our bank for the financing and the majority of the acquirers all had the same mind-set of subdividing the property and marketing the property.

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We were a very, very small bank at that time, total resources of the bank escape me, but I would assume it was around 15 million or $14 million. I felt that was totally too large a concentration of credit in one given area, taking into consideration the number of loans that were being made for the same specific purpose.

Q So, this, I guess, dovetails with your previous testimony. I believe you said that it was your recollection that the Flippin Bank made loans to seven or eight borrowers with regard to the 101 Development property?

A Yes.

Q With respect to these seven or eight loans, were they considered as a group of loans at one board meeting?

A They were all considered at the same time.

Q Was the business plan the same in all instances? Were they all planning to subdivide and sell by installment contract?

A Every one of them, yes.

Q What was the reaction to the board when you

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raised concerns about loan concentration?
A I think the majority of the board members understood the significance of concentration of credit. At the same time, one of the board members who was also then president of the bank had an active involvement in the acquisition and resale of that property. One of the board members also had an active part in the listing and the remarket of that property.
There was a nine-member board, and that left basically six members, and I think that -- not including myself. So, basically the majority of the board I think was concerned, and if I do remember correctly, a couple of board members did react to that point, but I think that the majority of the borrowers who were being -- who were requesting loans were all local people who had lived there for quite some time. I think that the board felt that the quality and the character of the borrowers basically outweighed in great deal the purpose of the credit.
Q So, most of these loans were done as character loans?

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A No. The loans were all securitized by a first lien position or first mortgage on the property. What I was saying was one of the overriding reasons of support for all the loans were the majority of the people who were making the acquisition were local people who had grown up and lived in the Flippin area and also owned and operated businesses.
The majority of the board felt comfortable with the fact that because of those people's character and their past performance and repayment record at the bank, that in the event that the marketing plan didn't proceed just as planned, that these people had the other types of resources in order to service the debt, if need be.
Q What about with respect to the loan to the Clintons and McDougals? They were not locals, were they?
A No, they were not.
Q The board approved the loan to the Clintons and the McDougals. Was there any discussion of that loan that you can recall?

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A That loan had basically probably more discussion than any loan, if my memory serves me correctly.

Q Can you describe for us what the debate -- I shouldn't say debate -- what the discussion was?

A Primarily the Clintons and McDougals were given more money for any parcel of property than other acquirers were and that the feasibility of them remarketing the property at a much higher price would have probably had an impact on their ability to have a reasonable sellout period.

Q I'm not sure I followed you there.

A Well, I think what I'm trying to say is if -- can I use an example?

Q Sure.

A The example being that you own a piece of property across the street from me and it is identical size, square footage, land, and et cetera, has all the amenities that go with it that mine does and you are asking $100,000 for yours and I'm asking $200,000 for mine, chances are you are going to sell yours before mine.

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Essentially what I remember, to the best of my recollection that I basically had a concern with, and I think if I remember correctly one or two other directors had a concern with, was the fact that here is a piece of property that may have -- it may be a longer time to sell it out because people were going to buy the interior property first before they paid the price on the Clinton-McDougal property.

But again, we all came back to the underlying source of character involved, and at that time Mr. McDougal was a prominent person, had proven his ability to borrow money and repay the debt in a timely fashion. I think that more credence was given to Mr. McDougal and his past performance and also his success in remarketing property and more so, I think that the board gave a large amount of credence to the fact that the Governor-elect probably had it in his power at any time to generate sufficient resources, i.e., through moving the loan to another financial institution or other sources at his disposal, that he could probably discharge the loan or service it on an adequate basis.

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Q What other resources would you be alluding to other than moving it to another bank?
A Well, credit only moves out of the bank three ways, through the payments as pursuant to the note, movement by another bank or you can charge it off. There are other sources for a borrower. I'm assuming that Mr. Clinton could have, one, sold out his interest to another party and, two, maybe borrowed money from a personal source. There are people who would probably make personal loans to the governor of any state given an opportunity.
We felt like, although Mr. Clinton at that time was limited in personal resources, he did bring with him an enormous amount of prestige for the simple fact that he was going to be the chief executive of the state of Arkansas.
Q And this was a factor that was considered at this board meeting where the loan was approved?
A Yes.
Q Did you ever share an opinion with anyone that you felt that supporters of the Governor-elect would be willing to buy lots at inflated prices as a

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means of providing income to the Governor or the Governor-elect?
A Could you repeat that, Doug, one more time?
Q Okay. Have you ever expressed your belief that it was your opinion that Governor-elect Clinton's supporters would be willing or be planning to buy lots at inflated prices so as to provide a source of income?
A Oh, I believed that, oh, yes. To be quite candid with you, to this day, I can't believe it didn't happen.
Q Was that a topic of discussion at the board meeting?
A It may have been, may have been.
MR. COLE: But it didn't happen, correct, Mr. Burge?
THE WITNESS: It did not happen. No. As a matter of fact, I have no basis or foundation for making the statement, but I believe if one were to go back and look at all the transactions that occurred, that probably nothing was tied politically to him at

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all.
BY MR. NAPPI:
Q Do you recall why you believed that at the time?
A I believe it was a practice in Arkansas that had been dealt with on numerous occasions by other public servants probably.
MR. COLE: Did anything like that ever happen in New York, Doug?
MR. NAPPI: Not an elected official. I can't speak to that.
BY MR. NAPPI:
Q Was that from personal experience that you had seen or observed that happening in the past?
A Not from personal experience, not any bank that I have been at or maybe as a regulator. When I say "as a regulator," there may have been a couple of situations. But to that point in my career, my brief career, I have never seen an elected official default on any type of loan at a commercial bank, never.
So that's another reason basically that there may have been a reassuring value to that loan.

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Q At the time of the board's consideration of this loan, did you have a complete credit file? Did you have all of the financial records of the borrowers?
A No, not really. Let me qualify that by saying this. In 1978, there were types of documentation that were utilized then that -- that were not utilized then, that are utilized today. Atypically in that period of time, if my memory serves me correctly, the documentation that was required was basically a contract for sale or an offer and acceptance and a financial statement by the borrower. Atypically, what we did was we basically made phone calls, maybe ran a credit bureau check on them. That's all we did to underwrite the credit. If the customer stated he made X number of dollars, we took it at face value.
Very few times, to my recollection, did we ever require financial statements that were supported by tax returns and corporate tax returns. This was a period of time that this was rural America, this was a town of 500 people. We made a great deal of what

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we called just old general facer loans. When people walked in, we knew them by their face and knew their character.

Q So, typically --

A And everyone knew who Bill Clinton was and most everyone knew who James McDougal was.

Q So, at this point in time, it was typical for a credit file to just contain the contract for sale, a finance statement and something like a credit check?

A Right. That was the credit that was underwritten. Naturally, there was a note and a mortgage, and we didn't have title insurance back in that time. We issued what was called a "lawyer's title opinion." You have an abstract and a lawyer's title opinion. If there was any type of dwelling or improvement on the policy, we usually had an insurance policy showing us that. Other than that, it was a very, very limited file.

Q Getting back to this particular loan and, again, focusing you on the time when the board approved it, did you have all of the records that at

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that point in time sound banking practice would mandate be in the credit file?

A At that period of time in banking in rural America, we had basically every related document that you would have to approve a loan.

Q Your recollection is you had a financial statement for all of the borrowers at that point in time?

A We most certainly did. I remember that specifically. Again, to the best of my recollection, I remember that.

Q You said that there were some concerns about the pace at which sales of the Whitewater property may be expected to proceed, that other pieces of property might sell before the more expensive Whitewater parcel.

A Correct.

Q Did you contemplate a short-term loan here? Putting aside the fact that it was a six-year -- or putting aside the fact that it was a six-month notice demand note, did you foresee this being a short-term credit facility or one that would

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roll over on numerous occasions?
A Well, basically when you do -- our old rule of thumb used to be in that period of time that when you bought a piece of property and you subdivided it, you should have basically a 2-to-1 ratio going into it. Therefore, when you sold basically half, 50 to 60 percent of the lots, then the bank would basically be paid in full. The last 40 percent would basically be the capital gain for the investor or borrower. That was basically the rule of thumb that we utilized.
On other loans we had done like that, it had been our experience that basically they were two- and three-year payouts, because a lot of the sales came on what they referred to commonly as contract for deed, land sale contracts, and they supported the debt. They were usually placed on 10-year AMs. It would go anywhere from 10 to 20 years.
Q Was it the bank's expectation that interest payments or payment proceeds from sales and interest payments on these contracts for deeds would provide the sole income stream to pay off the loan?

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A Doug, you broke up just for a second there. Can you repeat that?
Q Sure. Was it the bank's expectation going into this loan that the sales by contract of deeds would provide a sufficient income stream to pay off the bank?
A Well, it almost had to be. If we thought they were going to be subdividing the property and settle it for just a little bit over the acquisition price, there wouldn't have been enough cash in there to discharge the debt. So, yes, we anticipated they would have ample cash sales and ample contract and deed sales to discharge the debt in a timely fashion.
Q Now, you sold a half interest participation to the Union National Bank; is that correct?
A That is correct.
Q What was the background on that relationship? Did you have an extensive correspondent relationship with Union?
A Union National Bank was our primary correspondent. Small, rural independent community banks during that time period basically didn't have a

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relationship with the Fed Reserve. Union National Bank was our clearing agent of what we called our Fed Reserve cash letter.

We were basically a young bank, unsophisticated bank, technologically speaking, and we sent our proof letter to them and then they processed it for us and sent it on to the Federal Reserve system.

The bank, the correspondent bank department, the correspondent division of that bank supported our bank in many overlines with different customers. From time to time, when our directors would want to borrow money and they were overlined, they would lend money to our directors.

Q Do you know how the relationship developed between Union National Bank and Citizens Bank?

A Oh, yes, I know exactly how it developed.

MR. COLE: Mr. Burge, I have to interrupt you for a minute and ask Mr. Nappi if he can articulate for the record how this aspect of his questions is within the scope of Senate Resolution 120.

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MR. NAPPI: Clearly, it goes -- these were the two banks that financed the Whitewater loan. Citizens Bank originated the loan, sold a one-half participation to Union National Bank. We have a record that demonstrates they had a significant correspondent banking relationship.

The origin of that relationship is just --

MR. COLE: I think obviously any questions about the treatment of the Whitewater loan or the participation by Union Bank are relevant to our line of inquiry, but the general business relationship between Citizens Bank and particularly the origins of their correspondent banking relationship I think are completely outside the scope of the Resolution.

If you can answer briefly --

MR. NAPPI: It is a legitimate foundation question.

MR. COLE: If you can answer briefly, Mr. Burge, go ahead, but I may interrupt you at some point.

BY MR. NAPPI:

Q I would ask you to answer the question. It

is a foundation question.
MR. COLE: The way we have been conducting these depositions, Mr. Nappi, if I instruct the witness not to answer, you have to go and get a ruling from the Chairman. I may or may not do that. That's how we have been conducting them.
So, go ahead, Mr. Burge.
THE WITNESS: The First National Bank in Little Rock, Arkansas was the original bank that helped Citizens Bank & Trust become organized, they were our primary correspondent servicer; Mr. James Patterson had a falling-out with the top executives of First National Bank in Little Rock, and he had known of an individual there at Union National Bank named Howard Qualls, and he requested Mr. Qualls to come up and he wanted to move all the business from Citizens Bank over to Union National Bank.
MR. COLE: So the fact of that movement had nothing to do with the 101 River Development Corporation or the Whitewater sale?
THE WITNESS: None at all.
MR. COLE: How many years prior to the



Whitewater transaction did that occur?
THE WITNESS: Probably -- maybe a year, maybe a year.
BY MR. NAPPI:
Q Do you know how Mr. Patterson knew Mr. Qualls?
MR. COLE: I will ask you not to answer that question, Mr. Burge. I think we have gone well outside the scope of Resolution 120. We can either go on to other topics or get a ruling from the Chairman. I'm pretty comfortable that this is completely irrelevant and completely outside the scope of Resolution 120. It is clear that one thing our resolution doesn't do is authorize a general examination of banking practices in Arkansas or every transaction that Citizens Bank of Flippin ever did.
BY MR. NAPPI:
Q What was Union National Bank's responsibility as a participant in this loan?
A Union National Bank -- basically when you buy a participation in banking, when you buy a participation in a loan, you buy a certain percentile

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of the loan, whatever your participation is. In the situation of the loan on the Whitewater and the other loans we sold, we basically sold anywhere from a 50 percent participation in that loan to basically, maybe a 20 or 30 percent participation in the loan. I can't remember exactly what the breakdown was.

But they assumed all the liability and all the exposure that we had in our portion of the loan, that in the event of default and there was a loss, then they suffered that loss on a pro rata basis of whatever the participation was. In the case of Whitewater, it was 50/50. If it would have been a loss of $1000, they would have accepted a loss of 500 and we would have accepted a loss of 500. All related expenses of foreclosure would be forwarded on a 50/50 basis.

Q Who was the bank officer at Union National Bank who you dealt with on this loan?

A There was a gentleman by the name of Morris Jackson. He was an AVP, if I'm not mistaken. Most of the information pertaining to the transaction was channeled through Mr. Jackson.

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Q Did you ever deal with Don Denton?

A Not to my knowledge.

Q Barbara Spears?

A Those are names that I could have come in contact with, but to be quite candid with you, the person who I dealt with on a majority basis was Morris Jackson, and secondly it was probably Howard Qualls. Those are the people I dealt with.

There may have been subordinates involved in that, but to the best of my knowledge, I don't remember speaking to them.

Q And you were the point person at the Citizens Bank of Flippin with respect to this correspondent arrangement on the Whitewater loan or the participation?

A For the participation.

Q Yes. So you were the primary person at Citizens Bank?

A Yes. I will qualify that for a second, if I may.

Q Sure.

A When the loans were basically approved and

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we knew we had the participation working interest, we basically went in and drafted all documents and participation agreements and submitted them all, and between Mr. Jackson and myself, we handled all the transactions.

Q All right. What was Mr. Jackson's title? He was an assistant vice president in the correspondent banking department?

A That's correct.

Q What about Mr. Qualls, what position did he hold at Union National Bank?

A If my memory serves me correctly, he was senior vice president of correspondent banking, if my memory serves me properly.

Q Was Mr. Patterson involved in any capacity in the establishment of the participation?

A Oh, yes, definitely. Mr. Patterson, if my memory serves me correctly, Mr. Patterson's group, the 101 River Development Corporation borrowed money directly from Union National Bank also. I think they also had a participation on their loan. If I'm not mistaken, if I remember correctly, Mr. Patterson's

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loan was made there at the bank, also. But they also borrowed money directly from Union National, if my memory serves me correctly on that.

Q With respect to the participation on the Whitewater loan, there was no provision made for a certain amount of principal being paid to Union National Bank every six months?

A No, there was no provision. There was not a provision for any repayment at all. That loan was basically made.

Q Later on there was, as you testified?

A Later on, yes. As a matter of fact, I'm the one who set aside the repayment program.

Q If I could direct your attention or ask you to focus on the closing of the Whitewater loan for a moment, I want to clarify one thing.

Is it your recollection that the Clintons attended this closing?

A To the best of my recollection, everybody was there.

Q So, "everybody" would be Mr. and Mrs. Clinton and Mr. and Mrs. McDougal?

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A To the best of my recollection, they were all there.
Q Do you recall any discussions regarding their business plan at the closing or prior to the closing?
A The business plan for that loan was basically set up by Mr. Wade, Chris Wade. He was the realtor who subdivided the property for Mr. McDougal and he was the one who was going to market it for him.
Q Did you ever have any discussions with Mr. McDougal about the business plan at any time up to the closing on the loan?
A No, not really.
Q Did you ever have any discussions with the Clintons about the business plan prior to the closing?
A No, I didn't.
Q Did you personally monitor lot sales at Whitewater?
A No, I did not monitor any. To the best of my memory, during the tenure, the time of the latter

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part of '78 until I left the bank in September of 1980, I don't think there was one sale of any lot, period.
Q During this time, do you recall any pay downs on principal or interest?
A Oh, yes. I recall the interest payments. I do recall, after I had sent a letter to the Clintons and McDougals requesting a 10 percent amortization, that they made the payment. I don't think they made the full payment until sometime after that.
Q That would be your August 6th letter, I believe --
A Yes.
Q -- from 1979, was it?
A '79.
Q With respect to that letter, did you send a copy, one copy to the McDougals and one copy to the Clintons?
A I think I directed that letter just to Mr. McDougal. If I remember correctly, he requested all the correspondence to go to him.

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MR. COLE: When did that occur, Mr. Burge?
THE WITNESS: I think there had been an understanding for quite some time on that, Mr. Cole. It is just something that Mr. McDougal basically handled the business.
MR. COLE: That's a point of some interest. If you can recall any more specifics about when that practice began and whether you had instructions from Mr. McDougal to that effect, that would be helpful, anything you can recall about that.
THE WITNESS: Mr. Cole, I couldn't answer with any firm date, but it was always my contention and understanding that Mr. McDougal was handling that transaction. He was the, if you will, the point person or the conduit that all information and correspondence was channeled through.
MR. COLE: That was during your entire time at the bank there?
THE WITNESS: That's exactly right.
BY MR. NAPPI:
Q So, is it your testimony that other than at

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the closing, you had no contacts with either Mr. Clinton or Mrs. Clinton?
A Prior to the closing?
Q After the closing.
A After the closing, the only contact I had with the Clintons was maybe on some minute issue. But the biggest issue was that there was -- right after Mr. Clinton was elected governor or sometime I think it was a little bit after that, basically The Arkansas Democrat had done an expose on this investment in northern Arkansas.
Q You testified as to this a couple months ago. I apologize.
A Okay.
MR. COLE: That was the time when Governor Clinton called you and told you he didn't have anything to hide and you should tell the papers whatever they wanted to know?
THE WITNESS: That's correct.
BY MR. NAPPI:
Q Other than that, you had no other contacts with Mr. Clinton?

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A I may have seen him at a meeting or something.
Q But no contact with respect to this investment?
A Exactly.
Q What about prior to the closing? Did you have any contact with Mr. Clinton?
A Not to my knowledge. I think all financial information was submitted by Mr. McDougal.
Q And what about with respect to Mrs. Clinton? At any time during your tenure did you -- putting aside the closing --
A Never to my knowledge.
Q And no correspondence received from either of the Clintons?
A To the best of my knowledge, I don't remember any private correspondence coming from them.
Q What do you mean by "private correspondence"?
A Where they addressed a letter directly to me.

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Q Did they ever contact anyone at the bank, either in writing or orally, to the best of your knowledge?
A Not to my knowledge.
Q Did you ever face any delays with respect to the delivery of financial statements?
A You know, I just can't specifically tell you any particular instance. I just can't remember.
MR. COLE: Off the record for one second.
(Discussion off the record.)
MR. NAPPI: We are back on the record.
BY MR. NAPPI:
Q Would it have been your policy to require personal financial statements on a yearly basis?
A It was the bank's policy. We had a very, very minimal loan policy. But one of the things that we did have is we required a financial statement.
Q And you required that on an annual basis?
A The best of my memory, we required it on an annual basis. We would ask for it.
Q And those financial statements would be placed in the credit file?

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A Uh-huh, yes.
Q And maintained in the credit file?
A Pardon?
Q They would be placed and maintained in the credit file?
A Yes. Again, we had very, very minimal credit files. They were just basically, if my memory serves me properly, we just had manila folders. They weren't like the elaborate credit file systems of today.
Q Did you ever experience any delays, and this is again with respect to the Whitewater loan, any delays in payments of interest?
A You know, there may have been, but I can't specifically remember exactly. It appears to me that -- I don't remember ever having a serious delinquency on that loan.
Q When you testified in February, you mentioned a contact with Mr. McDougal in which you asked him to make some payments and he seemed concerned about having to make those payments, and you offered your opinion that he did not seem to

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expect that he had to make payments, would have to make payments.
A Could you repeat that?
Q Yes. Again, I'm not reading from the transcript, but during your February deposition, you discussed an instance where you approached Mr. McDougal for some payments and he seemed dismayed, and you were of the opinion that he did not expect to have to make such payments. Do you recall this?
A Yes, yes.
Q You further testified that you may have had to contact Mr. Clinton because of Mr. McDougal's response.
A Again, like I said, I can tell you today that I may have contacted at that time Governor Clinton, but I don't specifically remember the times I did.
Q I understand it was a long time ago and you can only recall what you recall.
Were you aware of a sale of a parcel in Whitewater to Chris Wade in the fall of 1980?

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A The fall of 1980?
Q Yes, September or October.
A If it was after September 30, 1980, then I was gone from the bank.
Q So, you do not recall that?
A No, I don't recall that at all.
Q Was it bank policy to require an appraisal of the property every time a loan renewal came up?
A No, it was not a policy.
Q Do you know whether it was done with respect to the Whitewater parcel?
A We did not do an appraisal every time the loan came up, or review either.
Q Were there any other examinations of the Flippin Bank by regulators during your tenure?
A Yes.
Q Not during your complete tenure. Why don't we focus on the years '78 through '80.
A Yes, we had an examination every year.
Q By whom, the Arkansas State Banking Department?
A The Arkansas State Banking Department.

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During that period of time it was a state law that every state bank in Arkansas be examined once a year.
Q Did the regulators ever ask any questions with respect to the Whitewater loan?
A Again, to the best of my recollection, not really.
Q Mr. Burge, I'm just going through my notes making sure I have covered everything.
A That's okay.
(Pause.)
Q Mr. Burge, if I could direct your attention to your February testimony. At one point near the end of that deposition, there was talk about the rise in interest rates that was allowed by the change in federal law in 1980 and your concern regarding the loan and the need to start amortizing the principal.
A I'm sorry?
Q I was just trying to give you some background. Your decision about requiring 10 percent pay-down of the principal every year.
A Yes.

Q And the fact that basically the investment was not paying for itself. You testified that it was a bad underwriting decision, the loan was made because right down there in that packet of ranchettes was this 300 acres and everybody else was trying to do exactly what the Clintons were.

What did you mean when you said "exactly what the Clintons were"?

A Basically what I testified earlier, that they were all trying to subdivide the property and resell it, and you had a tremendous influx of inventory, and it was kind of like buying apples in a bushel. They all look the same after a while. If you are going to buy apples, you may as well buy the least expensive.

Q In any of these other 101 Development loans or any of these loans made to by 101 Development property, did you experience the same kind of problems with payment of principal or delays in payment of interest?

A To the best of my recollection, I think most of the people down there paid their interest



payments in a timely fashion. I think that some of the others maybe had difficulty at times when making principal reductions.

Q But loan performance was better than the loan performance on Whitewater?

A I wouldn't say it was better. I think it was difficult as well for those other people. During that period of time of those first few years, interest rates went to 21 percent and it was a struggle for all of them.

Q So you are not able to quantify whether loan performance by and large was better?

A I couldn't tell you if it was better or worse. I can tell you that my experience up to the period of time is that everyone made their interest payment. Okay. Some made the principal reduction, some didn't. I do believe that they just couldn't make the principal reduction.

Q When you became president of the Flippin Bank, is it fair to say that you were concerned about the bank's due diligence with respect to lending, or stated more bluntly, did you feel the bank had some

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sloppy lending practices?
A Oh, well, yes. That was because I was under the watch of Mr. James Patterson. Mr. Patterson, I always felt was one of the more looser lenders that I have ever seen.
Q Is that why you imposed discipline like the 10 percent amortization?
A Yes. That's exactly why.
MR. COLE: But, and I think you testified to this previously, Mr. Burge, and I'm really trying to avoid going over and over the same things again, but I believe your testimony has been that there was nothing special about the Whitewater loan, as far as its terms or its underwriting, in comparison to the other loans that the bank made.
THE WITNESS: That's exactly right.
MR. COLE: Mr. Nappi asked you a question that started with a very general proposition about the lending practices and then he tied it more specifically to the Whitewater loan. I want to be clear that there wasn't anything unusual about the handling of the Whitewater loan in comparison to the

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other loans the bank was making at the time.
THE WITNESS: That is correct. Everybody was treated exactly equally on that.
MR. COLE: Thank you.
BY MR. NAPPI:
Q Again, going back to your February deposition, just to clarify one point. In discussing the analysis of the ability to pay, I think you testified, and again I'm generalizing, that Jim McDougal was seen as the deep pocket and that Governor-elect Clinton only had a salary of $10,000. It has since come to light that Governor Clinton or Governor-elect Clinton, while by no means a rich man, was making more than $10,000 in 1978.
In light of that, would that affect your previous testimony if you knew that Governor Clinton was making in the range of 20- to $30,000?
A Probably in all -- this is all supposition. Doug, to be quite candid with you, I don't think Bill Clinton added one real big impact point in the approval of that loan. The approval of that loan was made basically that McDougal -- if the

loan had problems, McDougal had ample resources, cash flow-wise, to service that debt for any purpose, that Clinton added to the loan the basic character, that I just didn't believe and most everybody else did, that a sitting governor would let a loan go in default and be foreclosed on.

Q Fair enough. One final point.

At several points in your testimony, you used the term "atypical."

A I'm sorry. That was incorrect grammar. I apologize for it.

Q You used "atypical" and "typical" interchangeably; is that correct?

A Yes.

Q Someone asked about that and we wanted to clarify it for the record. Believe me, far be it from me to offer any kind of advice on points of grammar. Maybe Mr. Cole.

MR. COLE: I don't know anyone from Arkansas who makes it a habit of offering advice on grammar.

MR. NAPPI: New Yorkers might offer the



advice but they would probably be wrong. I would defer.

I am done. I don't know if Mr. Cole has any follow-up questions.

MR. COLE: I think we have covered everything, Mr. Burge.

MR. NAPPI: Off the record.

(Discussion off the record.)

(Whereupon, at 3:20 p.m., the deposition was concluded.)

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FRANK B. BURGE

I, BRENDA M. SMONSKEY, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Brenda Smonskey

Notary Public in and for the
District of Columbia

My Commission Expires SEPTEMBER 14, 1996

# DEPOSITION OF DAVID A. COLLINS
# IN RE: S. RES. 120

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**TUESDAY, APRIL 23, 1996**

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER
DEVELOPMENT CORPORATION AND RELATED MATTERS,
*Washington, DC.*

Telephone deposition of DAVID A. COLLINS, called for examination pursuant to notice of deposition, at 6:05 p.m. in Room 640–A of the Hart Senate Office Building, before BRENDA M. SMONSKEY, a Notary Public within and for the District of Columbia, when were present:

MICHAEL P. O'CALLAGHAN, ESQ.
Majority Associate Special Counsel
MITCHELL FEUER, ESQ.
Minority Counsel
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Building
Washington, DC 20510
On behalf of the Committee.

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PROCEEDINGS

MR. O'CALLAGHAN: Good evening, Mr. Collins. My name is Michael O'Callaghan. I am an associate special counsel with the Senate Special Committee, and with me also is Mitchell Feuer, who is a counsel with the Banking Committee.

We will be conducting the deposition this evening. This is a telephone deposition conducted pursuant to Senate Resolution 120. The Resolution establishes a Special Committee administered by the Banking Committee to conduct an investigation involving Whitewater Development Corporation, Madison Guaranty Savings & Loan Association, Capital Management Services, Inc., the Arkansas Development Finance Authority, and other related matters.

This deposition is in advance of public hearings which are going to occur next week, and there is a possibility that you may be called to testify at those hearings.

We are going to ask you a series of questions this evening. We will ask you to testify under oath. Do you consent to being sworn over the

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telephone, Mr. Collins?

THE WITNESS: Yes, sir, I do.

MR. O'CALLAGHAN: If you don't understand a question at any time, please let me or Mr. Feuer know and we will be happy to rephrase the question for you. If you need a break, also let us know. We will be happy to accommodate you.

The stenographer is preparing a record of questions and answers. The deposition will be treated as Committee Confidential until the commencement of the hearings.

Prior to the hearings, if you are called to testify, you will be given a chance to review your deposition and make note of any corrections for transcription on an errata sheet. At any time you can also request a copy of the deposition and make changes on an errata sheet for the public record.

THE WITNESS: Okay.

MR. O'CALLAGHAN: Do you understand that you may be represented by counsel during this deposition?

THE WITNESS: Yes. I don't need counsel.

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It is my belief I don't need counsel.
MR. O'CALLAGHAN: You are not represented by counsel this evening?
THE WITNESS: That's correct.
MR. O'CALLAGHAN: Objections may be made to the form of the questions. They will be noted for the record. You or counsel may object on grounds of privilege or relevance, and the Committee Chairman will rule on objections where the witness refuses to answer a question.
Those are the basic ground rules, okay, Mr. Collins?
THE WITNESS: Okay.
MR. O'CALLAGHAN: Please swear in the witness.
Whereupon,
DAVID A. COLLINS
was called as a witness and, having first been duly sworn, was examined and testified as follows:
EXAMINATION
BY MR. O'CALLAGHAN:
Q State your full name for the record.

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A David Arthur Collins.
Q Did you speak with anyone prior to this deposition about the deposition?
A No. Dan Lasater called me yesterday and had heard -- I'm not quite sure how, I think through George Locke -- had heard that I been -- that Mark Brenner, I think, called me. We did not discuss the matter. He just said he heard and I said that's correct. No discussion was made with regards to anything to do with the thing. I said I received a call from this Mark Brenner and was going to give a deposition.
Q Did Mr. Lasater discuss the contents of any depositions he may have been a part of?
A We discussed nothing in regards to any depositions or in regards to any matters.
Q What was the purpose of his call?
A He just had heard that I had been -- that this Mark Brenner had called me and that I was going to have to give a deposition. He said I heard you got called, and I said that's correct, and he said okay. There was no discussion in regards to what it

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pertained to or anything else.
He just heard that I had gotten -- I think through George Locke -- had heard that I had gotten -- that Mark Brenner had called. We didn't discuss anything about the depositions or anything about anything.
Q How long was the conversation?
A Five minutes, five, 10 minutes.
Q Did you speak with anyone else about the deposition tonight? Did you speak with Mr. Locke?
A I gave Mark Brenner the number for George Locke. I just spoke with George about it and said hey, we are getting this deal with Mark Brenner. That is the only person I believe. I don't think I mentioned it to my secretary. I don't know whether I did or not.
Q Did you have any conversations with anyone about the anticipated subject of the deposition?
A Sir, I have not.
Q Did you do anything to prepare for the deposition, review any documents or talk to anybody?
A No, sir, I have not.

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Q Could you give me a brief description of your educational background.
A I graduated from high school, worked my way through college.
Q Where did you go to college?
A Little Rock University, it was called at that time --
Q What --
A -- two hours of graduating. I was going to be a lawyer, but I decided against that. But I went to school out there, worked my way through college for a six-year period of time, working part-time jobs and working, like two hours from graduating.
Q Any other educational experiences other than that?
A No.
Q Do you hold any professional licenses?
A No.
Q What is your present business address?
A 3905 West 81st Street, Little Rock,

Arkansas 72209.
Q Are you currently employed?
A Yes, sir.
Q What is your present position?
A President of DAC Technologies.
Q Could you spell that, please.
A D-A-C Technologies.
Q What kind of business is that?
A We manufacture alarms, personal safety devices and window alarms and door alarms, the little body alarm, so forth. Overseas we manufacture. This is a distribution center here.
Q During the period 1978 through 1986, could you give me a brief description of your employment history.
A Yes. I was at -- is it '78?
Q Yes, sir.
A I believe I came here, again it is 15, 18 years ago. But I came here from Memphis, Tennessee in the latter part of '79, I believe. Before that, I was employed as a security salesman in Memphis. I came over here and went with a firm called T.J. Raney



& Sons. In approximately '79 -- I'm not quite sure of all the dates -- the latter part of '79 and 1980 opened up a company called First Bankers Corp.
Q What kind of company was that?
A It was a broker-dealer.
Q Did you have any partners?
A Yes.
Q Who?
A George Locke and Dan Lasater.
Q How did that partnership come about?
A I knew George Locke, gosh, since 1970-ish, and he had become a friend of Dan Lasater's. I had not really met Dan until 1979 or '80, until I came back here. George was a friend of his. I got to know him through George Locke.
We decided to open up an investment banking firm, one-third, one-third, one-third; as I say, either the latter part of '79 or 1980. It was, at first, called First Bankers Corp.
Q Did you all invest equally at that point?
A Yes.
Q What was the initial amount of the

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investment you each put in?
A I want to say it was 75,000 a piece. I'm not exactly sure, but I think that was the amount.
Q Did Mr. Locke have any experience in the securities business?
A No --
Q What was his --
A -- he was just a friend.
Q What was his profession?
A He was a state senator at that time and a businessman.
Q How about Mr. Lasater, did he have any experience in the securities industry?
A No, he was a businessman also.
Q How did you-all come to approach Mr. Lasater to be a partner in the company?
A It was through George. I got to know Dan through George Locke, and then I went and had a meeting with George Locke and Dan, saying that I wanted to open up a securities firm.
Q How did Mr. Locke know Mr. Lasater?
A I'm not sure. He met him back in the early

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'70s. I believe -- it was through the horse racing business, I think. I think that's what happened.
Q Was Mr. Locke in the horse racing business?
A I think George owned some horses, yes.
Q Did there come a time when First Bankers Corp. changed its name?
A Yes. I'm not sure of the exact date. I want to say '81. Again, I'm not exactly sure. It was changed to Collins, Locke & Lasater. I believe that's what happened.
I think it was just a name change.
Q Was there any significant reason why the name was changed? Do you recall why the name was changed?
A No, I honestly don't, except maybe ego. I can't really remember. I wish it had never been, but it did.
Q You think that was around 1980, 1981?
A Yes, sometime right in there.
Q The first year of operation?
A Right.
Q When you first set up the business, how was

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it set up? What type of specific securities work were you involved with?

A It was mostly fixed income. We didn't do equities. We did bonds, municipal bonds primarily. It was a very small firm with like -- in fact, we had to recapitalize the firm, put in a little bit more money. But it was like three or four employees at first.

Q So you were basically just selling bonds?

A Uh-huh, yes, as a broker-dealer.

Q When did you have to recapitalize for the first time?

A I don't know. I think it was another 37,500 a piece because we lost money the first year.

Q The first year of operation?

A Yes, because that's when the interest rates went up to 20 percent, right during that period of time. You bought a bond, it was worth less the next day.

Q You had a rough start?

A Yes, terrible. The only time interest rates ever went to 20 percent.

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Q You each put in an equal amount, you remember $37,500?

A I'm not sure the exact figure. I think it was around that figure of additional money put in.

Q How did the business do the second year? I guess that would be 1982; right?

A When interest rates started dropping, whenever that was, it was a year or two before the company started making any money. I can't remember the exact time. The first year it lost money and we had to put some more money in it. It was either the second -- '81-ish, '81-1/2-ish, a year or two after it initially opened up before it started being profitable.

Q Did there come a time when you started to hire more employees for the company?

A Yes. It went from two or three people to, gosh, 50, 60 people, salesmen and employees.

Q Is that sales and administrative staff?

A Uh-huh, uh-huh, yes.

Q Who ran the day-to-day operations of the company in the first two years?

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A Basically I did.
Q How long were you in that role?
A Well, I was removed, I believe, in July of 1983. I came back in from an operation and was asked to leave in July of 1983.
Q How did that come about?
A Dan asked me to leave.
Q How was the company doing at that point?
A We had made some money, pretty good money, and then I think we started to lose a little money there towards the end. But we had basically made money. And then the last two or three months I was there, we lost a little money.
Q Before you left, had the company hired anyone to engage in getting underwriting business for the company?
A Uh-huh, yes. I believe I was the one that basically hired Michael Drake from Memphis. I can't remember the firm -- I want to say Morgan Keegan or something -- that he was with. I can't remember. We hired a guy named Michael Drake, just to try to start underwriting bonds and stuff, which was standard in

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our industry, to try to become underwriters.
Q Did you have to reach a certain size before the company could start doing that?
A You couldn't start doing it with two or three employees and just barely hanging on. After the company became profitable, no, I don't know of any particular requirements sizewise, but we had more capital at that time and you couldn't do it with two or three people. We were just trying to survive.
After it became successful -- and the company did become successful in '82, I remember that, in '82 it became very successful -- we decided to try to get into underwriting, which is standard in our business. Every legitimate investment banker tries to underwrite bonds.
We got into it and I hired this Michael Drake from Memphis.
Q Do you recall whose idea it was to get into underwriting? Was it you, Mr. Locke, or Mr. Lasater?
A I don't know. Mine and anybody's, I guess. Probably more -- I was the one that was at that time, really, up until '82. Dan and I didn't

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get along after that. I basically ran the company through '82 and was trying to make the company grow into a big company. I guess I would be the one wanting to make the company go and get into underwritings.

Q Were you ever informed by Mr. Locke or Mr. Lasater that the company would have access to underwriting of state issues?

A No, sir, no.

Q Before hiring Mr. Drake to do underwriting, did anyone at Collins, Locke & Lasater have any conversations with anyone associated with the governor's office about doing state bond business?

A I'm sorry?

Q Before you hired Mr. Drake, did anyone from Collins, Locke & Lasater have any discussions with anyone associated with the governor's office about entering the state bond business, anyone have discussions?

A No. I have never spoke with the President.

Q Did anyone from Collins, Locke & Lasater

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have discussions with Governor Clinton or anyone on his staff about the possibility of going into the market?

A Not that I know of, and I did not.

Q How did the company come to hire Mr. Drake?

A He was -- he did underwritings. It is kind of standard in the security business with all of the security firms that were here then; Hill, Crawford and Stephens, there were like 10 or 15 of them in municipal bonds. If you got into underwritings, you got the first choice of bonds, if you were able to get bonds for your customers and so forth.

Really, I guess me trying to -- it is kind of like a mark of legitimacy, like when you're printed up in the Wall Street Journal, you participate in this bond issue or you help underwrite this bond issue. A lot of customers wouldn't even deal with you unless you were an underwriter. We were trying to bring some little school bond issues, we were talking about that.

Q It brought a lot of prestige to the firm?

A It really does.

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Q And helps you develop a client base?
A Yes, like the little school bond issues that come around Arkansas here. I remember us talking about we would try to get some of them because the minute you got them, you were able to sell them to the bank, because everybody wanted them.
Q Becoming an underwriter gave you access to the bonds so you could then in turn sell them?
A Right, sure. It gave the firm really a mark of legitimacy to be an underwriter. That's what I was trying to achieve.
Q Were you able to achieve that, you think?
A No.
Q Why not?
A We did one bond issue, and I can't -- it was with PaineWebber and a bunch of other people, where we participated in this Arkansas Housing Development Authority, that we participated in and we bid in. I kind of thought it was a feather in our cap, to be honest with you. But we did participate in that one.

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We bid a couple school issues, and I can't really remember if we won any or not, you know, the little million, $2 million school bond issues. I can't remember if we won any or not. I don't think so but we may have.
See, I got kicked out of the firm, and this was just for about a six-month period there --
Q From January to July 1983?
A Well, it kind of in '82-ish when we started it up to the fall of '82. In July of '83 I was gone.
Q Do you recall exactly when you hired Mr. Drake?
A No, I don't.
Q If you can, give your best approximation.
A It would have been, I think, in the fall or real early, January, February, fall of '82 or the spring of '83, in that six-month time frame there. But I can't remember exactly.
Q Did you have anyone from the firm handle underwriting before Mr. Drake arrived there?
A Not really. We had a couple of -- I can't even remember his name. We had a couple guys that

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were kind of familiar with underwriting, but I can't remember. I don't think now -- I'm not real sure -- it is 15, 16 years ago. I don't think we bid on anything else. We may have but I don't think so. I brought Michael Drake over to start us into the underwriting business.

Q When you hired Mr. Drake, did you hire anyone else to perform underwriting?

A No. He was the head of that department. There may have been a girl with him or something, but he was the head of the department.

Q What were his responsibilities and functions as head of underwriting?

A As I remember, to try to get us into bond issues and to help us bid them. It was complicated. I didn't know how to do it, how to figure all the figures, bid on them and so forth and so on, to solicit the business, to -- there is quite a complicated formula.

I have been out of the business for 10 years. There is quite a complicated formula that you bid and you try to make sure you don't overbid

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because then you get stuck with all the bonds.

Q Did Collins, Locke & Lasater actually put the bids for the underwriting structures or were those done by lead underwriting firms from New York?

A I can't really remember. We were one of the ones that put it -- I think it was PaineWebber. There were three or four people involved as kind of the lead underwriters. I can't honestly remember who put the actual bid in, but we were one of the three or four lead underwriters.

Q Was that with the Arkansas Housing Development Agency?

A Yes, sir, I believe that's what it was.

Q Do you recall if that was a single family or a multifamily offering?

A I can't remember. I remember it was Arkansas Housing bonds.

Q Did anyone by the name of Tom Carter do any underwriting work?

A Yes, Tommy, I think he joined -- I can't remember exactly when he joined the firm. But he had some underwriting experience. He was from Memphis

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also. He was more kind of like a trader. But he also did work with Drake and so forth in some of the underwritings. I had forgotten totally about Tommy Carter.

Q Hello?

A I heard a beep. There's another beep.

Q We had that in one of our other depositions.

When the company began getting involved in underwriting, would its main focus be involved in Arkansas Housing Development Agency underwritings?

A It was to try to get into the underwriting business in general.

Q In general?

A Yes, sir.

Q With regard to the underwriting business, what percentage of it would you say was derived from doing work with the Arkansas Housing Development Agency?

A A small percentage.

Q Of underwriting?

A It was a small percentage of our overall

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business. Most of it was in the secondary market. I don't know how much.

Q You don't know with regard to the underwriting business?

A I don't know what percentage, no, sir.

Q What percentage of the secondary market business -- let me rephrase that.

You said becoming an underwriter gave you access to the bonds; is that right?

A Right. If you were an underwriter, you got first choice at the bonds. I believe that's the case, yes.

Q When you are talking about what percentage of your business was derived from the underwriting, were you including the money that the company made from having access to those bonds and selling them?

A What I meant was that most of our income, the firm's income, was derived from selling other bonds, secondary bonds, Ginnie Maes, governments, other municipals. The best of my knowledge, 75, 80, 90 percent of the income was derived from what I would call secondary market trading. I remember the

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Arkansas HDA deal, but it wasn't a major portion because we were just getting started when I was there.

Q When you were there, it was kind of in its infancy?

A Kind of a what?

Q In the beginning stages of building up that business.

A Right, that's what we were trying to do. It wasn't a major portion of our income base, if I remember correct.

Q That's in 1983?

A '82. I would tell you the fall of '82 and the spring and summer -- I was gone in June, but in July, for that eight-, nine-, 10-month period there.

Q Do you recall a 1984 multifamily housing offering that the -- a 1983 multifamily issue that Collins, Locke & Lasater was chosen to be underwriter for in or around April of 1983?

A That may be the one we are talking about. I remember one Arkansas -- I thought they were Arkansas Housing Development bonds, but I'm not real

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sure, multifamily housing bonds or something. There was one big old bond issue that we participated in, and I'm just really not -- I don't know the exact name of it; it is so long ago.

Q Do you recall whether the issue that you are thinking of, whether Collins, Locke & Lasater submitted a proposal to AHDA with other competing firms?

A What I recall -- and I can't remember who the other people in it were, I think it was PaineWebber. I just can't remember all the people who were involved -- that we submitted a bid for that bond issue and that we won that bond issue. We had the lowest bid, I guess. But it was with a group of people. PaineWebber. I can't remember who else was in it.

Q Do you remember a multifamily issue that involved Merrill Lynch, Stephens, Inc., T.J. Raney, and Lasater in or around April of 1983?

A I should remember April '83. I don't remember Merrill Lynch. PaineWebber sticks in my mind. I can't really -- I can't recall the exact

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firms. Maybe it was Merrill Lynch, but I can't recall.
Q During 1983, did you have any contact with any of the members of the Arkansas Housing Development Agency, any of the board members?
A No, sir.
Q Are you familiar with a gentleman by the name of George Wright?
A George Wright? No, sir. Again, this is 15 years ago. Right now, George Wright does not ring any bell to me at all.
Q How about Mort Hardwicke?
A Mort Hardwicke? Not that I can recall at all, no, sir.
Q Do you recall in or around April 1983 where Collins, Locke & Lasater was chosen as a co-manager for an underwriting after other underwriters had been chosen previously for an underwriting?
A No, sir. Other underwriters had been chosen and then we got the bond issue?
Q You were included with the other firms afterward.

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A No, I don't recall that, no.
Q I'm going to read to you from a document that has been produced to the Special Committee.
A Right.
Q Concerning the confidentiality agreement we have entered into with individuals in any of these we have subpoenaed for documents, we are not able to -- we have confidentiality agreements which prevent us from mailing this to you.
A Okay.
Q That's one of the limitations of a phone deposition. So if you can just bear with me, I will identify the document and describe it. Then I will ask you some questions.
A Sure.
Q This is a multipage document, four pages, and it is entitled "Arkansas Housing Development Agency special executive board meeting, 4:10 p.m., April 19, 1983."
A April when?
Q April 19, 1983.
A I wanted to make sure I was still there

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then. April of '83, okay.
Q And it lists the board members that were present and AHDA staff members. There is another section which says "others present," and it includes Ms. Johnnie Holcomb of Stephens, Inc.; Mr. Bob Snyder of T.J. Raney & Sons Inc.; Mr. Jack Williams and Mr. David Menz of Wright, Lindsey and Jennings; Mr. Jim Fowler of the Rose Law Firm. " And then it reads "Mr. Tom Carter of Collins, Locke & Lasater," then "Mr. Dabbs Sullivan of Dabbs Sullivan; Ms. Carol Matlock of the Arkansas Gazette."
A Okay.
Q On the third page of the document, there is a paragraph which reads "upon Mr. Hardwicke's request for further business, Mr." --
A Mr. Who?
Q "Upon Mr. Hardwicke's request for further business," one of the board members, "Mr. Wright, another board member, made a motion that Collins, Locke & Lasater be added to the underwriting team for the agency's proposed 1983 multifamily issue in order to spread it around and include more local Arkansas

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underwriters on this issue." Then Mr. Edwards seconded the motion and the board approved the same.
Does that help refresh your recollection as to whether or not the firm became included in an underwriting team after a team had already been selected?
A Not really. I don't recall that meeting. I would have thought Michael Drake would have been there instead of Tommy Carter. I don't really recall. I can say that we would have wanted to have been included in underwritings in Arkansas and may have requested that on a legitimate basis. We were trying to form an underwriting department. To be honest with you, it had been kind of a closed deal.
I wanted to -- from my standpoint personally, I can -- I'm sure I thought this way back then, that I would have wanted to not be shut out and wanted a chance to bid on the bond issues.
To be quite honest with you, it had been controlled by Stephens and some other people for quite a long time. To be honest with you, I wanted part of that business. But I don't recall that

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meeting.
Q How long had the company been doing underwriting or how long had the underwriting department been in existence?
A I have answered that about three times for you. I can't remember exactly. I hired Michael Drake, I think, in the fall-ish or the early part of '82-ish, and then it may have been the spring of '83. I'm not sure.
We were trying to form an underwriting department to participate, so we could underwrite bonds and become a legitimate firm and get access to the securities, et cetera, et cetera, which every firm in the country was trying to do.
That was my sole goal, was to build a better firm.
Q Did you ever make any recommendations for nominations or appointments to the AHDA board, do you recall?
A Not that I recall. I don't recall doing any of that, no.
Q I have a document here which might help

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refresh your recollection.
A Okay.
Q It is a one-page document that bears the Bates stamps which was produced to us DKSN 027451.
A Okay.
Q It is on Collins, Locke & Lasater stationery dated March 31, 1983. It is addressed to the Honorable Bill Clinton.
A All right.
Q It reads -- and it is signed by David A. Collins, president and chief executive officer.
A That's me.
Q And it reads "Dear Governor, I'm writing to express Collins, Locke's enthusiastic support of the appointment of Ms. Linda Trent to the position of executive director of the Arkansas Housing Development Agency. It is our view that Ms. Trent will provide the agency with much needed leadership and serve the state in an exemplary fashion."
Do you recall writing that letter?
A No, sir, I do not. I'm sure I did, though, if I signed it, but I don't recall it.

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Q Do you know who Linda Trent is?
A No, sir, I do not. I can't recall who she is. Obviously I wrote the letter, if I signed it. But it is so long ago, I don't recall. I don't know who Linda Trent is now and I don't know her and don't recall who she is. Obviously I wrote the letter if I signed it.
Q During the period --
A When was that written?
Q March 31, 1983.
A 1983?
Q Yes, sir.
A As I stated, I would have encouraged anything we could to get in -- to get the right to bid on bond issues. I don't know what else to say.
Q While you were at Collins, Locke & Lasater, did the firm ever experience any net capital problems?
A Yes, we had a net -- I believe we had a couple of net capital violations on some fails, on some government securities, and so on and so forth. I believe we had a couple of them.

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Q Was the firm sanctioned for those net capital violations?
A I can't remember. We may have been. I can't remember. I remember that we had a couple of capital violations, but I can't remember what the end result was. We may have been sanctioned. I can't honestly remember.
Q During the time you were at the firm you had more than one net capital violation?
A I didn't say that.
Q That's a question.
A I don't know. I recall that we did have -- I think we had an argument about a net capital violation. I don't know whether it was one or two. I can't recall.
Q Do you recall what the argument was about?
A Yes. I mean, you know, misunderstandings between primarily Lasater and I. We really didn't speak for the last six months, to be honest with you, to tell you the truth.
Q The last six months you were at the firm?
A Pardon me?

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Q You didn't speak for the last six months you were at the firm?
A Well, the last three months we didn't get along.
Q What was the basis of the misunderstanding?
A Just a difference in philosophy. I built the firm and worked real hard. I guess he didn't feel that way.
Q Could you be more specific about what the difference in philosophy was.
A You know, I was a hard worker, there at 7:00 every morning until 6:00 or 7:00 at night. I kind of felt like it was my firm, so to speak. And he had put in some additional capital when it was needed, and he kind of started getting more involved in the firm. And I guess I -- partly my own fault. I felt like I should have been running the firm, and I guess he felt like he should have, or something to that effect.
He got more involved in it in the last six months to a year.
Q He got more involved in the day-to-day

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operations?
A Not necessarily the day-to-day operations. He had an office down there. At first he didn't have an office, just talking and was involved with people and so forth. I guess I kind of felt like I had built the firm there for the first couple years, kind of my firm, so to speak. I guess he didn't feel that way.
Q And was he involved in helping get state underwriting business for the firm?
A I can't -- I know what you are asking. No. We hired Michael Drake, as I said. And Tommy Carter -- now that you mentioned his name -- he had some underwriting experience himself too. George may have, being a state senator, we wanted to get into bond issues, we were trying to get involved in underwritings. And I'm sure that we -- I am sure. I asked George can you help us get into bond issues. It was kind of a closed deal here, controlled by some other people.
I'm trying to think of an honest way to answer you. Dan wasn't really per se -- he didn't

know anything about the bond business or the underwriting business. But we were actively trying to build an underwriting department.

Am I making any sense to you?

Q Yes.

A We were actively trying to build an underwriting department. I became less active in the whole spring of '83, and then in essence, was booted out in June and July of '83, when I was actively trying to build a good firm, an underwriting department where we could underwrite municipal bonds primarily. That's where our experience lies. And we could become a legitimate, good firm.

I may have written a letter. I would have done anything I could have, legally and legitimately, to try and build an underwriting department. He didn't know the bond business, Dan didn't.

Q Were there any discussions about talking with anyone in the governor's office to try to open up the state bond business? You said earlier you thought it was closed off a little bit.

A I can't recall specifically, but there may



have been. We discussed hey, we want in, we want the right to bid these bond issues. I didn't talk to the governor. I talked to him once or twice in my whole life.

There may have been some discussion there that George being a state senator could help us, we could get into the bond issues, give us the right to bid on them and don't shut us out. I'm sure we were trying to do everything we could to get into the underwriting business. I don't know if any of that has made any sense to you. I'm just trying to be honest with you.

Q I appreciate it. Are you aware of any specific discussions that Mr. Lasater had with the governor on that subject?

A No, sir, I'm not.

Q I was referring to the March 31 letter --

A The one on Linda Trent?

Q Yes. The last sentence of the letter reads "I'm looking forward to welcoming you and Hillary to our Derby Day party and trust you will find it convenient to attend."

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A Derby Day party. When was this, in March of '83?
Q Yes, sir.
A We gave a Derby Day party because Lasater was primarily -- I don't know a horse from one end to the other. He was in the horse racing business, and George was in a smaller way. Dan was in a big way.
We gave a Derby Day party there. I can't remember when the horse racing season was, but we gave one. I would have thought it would have been over by March 31st, but maybe I'm wrong. In the spring of '83.
Q That was for the Arkansas Derby?
A Yes, sir.
Q Do you recall whether or not the Governor and Mrs. Clinton attended that Derby Day party in 1983?
A I believe the governor did attend the party.
Q Did you speak with him at the party?
A I shook his hand. I really don't know the man. The best of my knowledge, I have spoken to him

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or said hello two or three times in my whole life. No conversation. But I have said hello and shook his hand. I have said hello and how are you, and this and this and this.
Q Where was that party held?
A It was held at the Arlington Hotel in Hot Springs.
Q How many people attended it?
A God, it was a big party. What is your first name? I'm sorry.
Q My name is Michael.
A Michael, it was a large party, but I would say several hundreds of people.
Q Was it in a ballroom?
A Yes. We had rented the big room there in the Arlington. I think it was the ballroom. It was a very large room.
Q Had people attended the Derby beforehand and then moved to the Arlington hotel?
A I believe that would be the case, that most of the people that came, most of them were horse racing people, that they would have attended the

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Derby and then come to the party.
Now, there may have been some people that drove in for it, but I would say more than 50 percent of them came from the horse race, from the Derby that day.
Q Did you watch the races? Did you attend the races that day?
A Yes.
Q Where did you watch them from?
A I think I sat in George Locke's box, which was close to Dan's box. They were like --
Q Were they next to each other?
A 30, 40 feet away. I can't remember whose box I sat in. I guess at that time I probably sat in George's box, may have sat -- I doubt very seriously I sat in Dan's box.
Q Why is that?
A Well, we just weren't getting along real good at that time.
Q Did the governor attend the race?
A I don't think so. I don't recall the governor being there, no, sir.

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Q How long did he attend the party for, if you remember?
A Gosh, I don't have the slightest idea. I think I remember him being there, and I shook his hand, but I don't have the slightest idea how long he stayed.
Q While you were associated with Collins, Locke & Lasater, were you aware of any illegal activity that was engaged in by the company with regard to their functioning as a financial firm?
A Any illegal activity?
Q Yes, sir.
A No, sir. None whatsoever that I was aware of. I remember a net capital violation and that's it.
Q Other than -- this may be repetitive. Let me know if it is.
A Sure.
Q Other than the net capital violation you have discussed, was the company the subject of any disciplinary action by any state or federal regulatory agencies?

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A I remember that we had an NASD net capital, and I don't know whether that fell over into the state. I think we may have had a state violation too, in regards to that type of thing, but I'm not real sure of that.

If certain bonds failed, if we did too much business, you had to have X, Y, Z. In fact, that's why I think we were trying to find a government securities firm that didn't have those net capital requirements. If you did too much business, the bond failed, it didn't clear properly, it would throw you into a net capital violation.

Q Do you recall whether there was an accounting for assets that was inaccurate, using hard assets as liquid assets doing the accounting?

A No, sir, I don't, no. What do you mean by "hard assets"? I don't understand.

Q I'm probably not expressing it properly.

A All right.

Q Are you okay now?

A Yes. We were talking about hard assets.

Q Was there a boat that was counted against

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the company's net capital line, anything like that?

A We owned a boat. That may have been one of the differences we had with the NASD, the investment in the boat. I don't recall. But I do remember that we did own a boat.

Q But that doesn't refresh your recollection?

A No, I don't remember the specifics. It is 14 years ago, or 13. I don't remember the specifics. But that could have been involved, but I don't recall that specific thing.

Q Who was the securities commissioner at the time you were at the company?

A Lee Thalheimer.

Q Lee Thalheimer?

A Lee Thalheimer. I'm not real sure but I think Lee Thalheimer.

Q During your time at the company, did you have any contact with Mr. Thalheimer?

A I'm sure I did. I think when I first formed the firm or something, I talked to Lee as the securities commissioner. I remember talking to him. I don't remember about what specifically. But I

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remember having several conversations with him. But it may have been in regards to -- I can't remember. I did talk to him.

Q While you were at the firm, did you have any contact with anyone in the governor's office?

A No, sir. I don't recall that. I don't recall having any contact there with him. I don't recall it.

Q Are you familiar with anyone by the name of Betsey Wright?

A Yes. I have read about her in the paper.

Q Do you know her personally?

A No.

Q During the period 1983 through 1986, are you aware of any reasons where Collins, Locke & Lasater or Lasater & Company -- let me rephrase the question.

Are you aware of whether Collins, Locke & Lasater or Lasater & Company engaged in activity that would have disqualified them for participating in state bond underwritings?

A No, sir. But I was, in essence, removed

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from the firm in June, July of '83 and didn't speak to either George Locke or Dan Lasater for four years. So I can't -- you said '83 through '86?

Q Yes, sir.

A I didn't like him. I didn't speak a word to him. In fact, I sued him.

Q During the period, I guess, 1980 through 1983, did you participate in any meetings with the governor?

A I don't recall. I remember meeting the governor maybe twice.

Q You mentioned you met him at the Derby Day party; is that right?

A Right. I may have met him -- I remember shaking hands with him and saying hello, how are you. No in-depth kind of conversation that I can recall. I remember meeting the man two or three times. I'm just trying to remember. But there was no in-depth talk about bond issues or anything.

I guess the answer is no. But I met the man two or three times. I don't think he would know me from John Doe.

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Q Did anyone at Collins, Locke & Lasater maintain an apartment at Quapaw Towers?
A Yes. I believe Dan did, uh-huh.
Q Did you ever participate in meeting over in the apartment at Quapaw Towers with Mr. Lasater and Mr. Locke with the governor, either before or after he was governor?
A I'm trying to think of the two or three times that I met the guy. There was one time when he wasn't governor. I think he got defeated or something in '80 or something like that.
Q Yes, sir.
A I could have met him over there one time. I met the man two or three times. I can't recall exactly where I met him at. Did I meet him in the Quapaw Towers? I don't recall. I could have. I met the man two or three times.
Q Do you recall talking about supporting him maybe in an election when he was out of office --
A I kind of remember having that kind of conversation, that we would support him. I remember one of the times we did meet him when he wasn't

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governor, and I do remember talking to him. He was all down and out.

It may have been at the Quapaw Towers. I'm not real sure. I guess I would have through Dan. I just didn't have any contact with the man to speak of.

I probably would have said I would have supported him, because Roger Clinton, you know, the brother --
Q Yes, sir.
A -- who I didn't hardly know either, he was a friend of Dan's. But I met the man two or three times. Something is sticking in my head when he lost, the governor, I may have met him during that time. I can't remember whether it was at the Quapaw Towers. It may have been down at Collins, Locke & Lasater. I can't honestly remember. But I could have.
Q Did Mr. Lasater have one apartment at Quapaw Towers, or do you know if he had more than one?
A Again, I was not privy to a lot of this.

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One is the only one I know about.
Q Do you recall whether that was number 12B?
A Yes, yes, that's it, 12B.
Q I'm just trying to help you remember.
A It has been a long time ago.
Q That's part of the exercise here.
A Sure.
Q Do you recall, when the governor was out of office, you said you have some memory of a meeting with him, do you recall who that might have been with, whether it was Mr. Locke and Mr. Lasater?
A Well, it would have been them that knew him, George by being in the senate and Dan who had known his brother.

So I would assume that it would have been with them. I didn't know the man individually.
Q Was there a discussion about supporting him financially for the next election?
A I honestly can't remember a specific discussion. What sticks in my head is that he was kind of down and out. I remember that. He was depressed and so forth, to be honest with you.

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There could have been a discussion about he was going to run again and we would be supporters, or something like that. George was, you know, a friend of his, and I guess Dan knew his brother and was a friend of his.

It could have been that. I'm honestly trying to answer you. I have to think here. I can't remember the specifics. But there could have been a meeting there.

I remember in my head something about that he had lost the election and he was out, and something -- I think it was with Dan and George. I just don't want to say when I'm not sure, but I think it was. I didn't go to 12B hardly at all, but it could have been up there.
Q Do you recall whether you had any conversations that involved the governor where he asked for financial support and he offered to help get business for the company?
A No, no, sir. You mean we offered him money and he said he would help us get bond issues? Is that what you are asking me?

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Q Any kind of help to the business.
A I'm sure he may have asked us for financial support, but we never had any conversation where we would support him financially and he would give us bond issues, absolutely not.
Q Do you know whether the governor ever came by Collins, Locke & Lasater or Lasater & Company to visit? Did he ever stop by?
A I can't honestly recall. I know Roger did, because I would see him with Dan. But I can't recall. He could have. As I say, I met the man two or three times and I'm just not sure exactly where, but he could have stopped by there. I don't recall.
The specific thing was the Derby thing that I met him, but I met him two or three other times. I can't recall honestly exactly where it was. But he could have come in to CL&L. I don't recall a specific incident where he come in there, but I recall meeting the man two or three times.
Q Do you recall whether one of those times was at the office?
A I don't know. I can't recall where the two

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or three times were. I would tell you if I knew specifically where they were. I don't know the man really.
Q I appreciate you trying to dig down in your memory. I'm just trying to help you out.
A I'm really trying to answer you. I don't have any reason not to. I can't remember exactly. I don't know what else to say.
Q Were you aware, while you were at the company, of any money laundering occurring at the company through accounts set up in nonclient names?
A No, sir.
Q Have you ever heard that happen after you left?
A No, sir. That's a new one on me. The answer is definitely no.
Q Did you ever become aware that Mr. Lasater made a loan to Roger Clinton of about $8000?
A I was not privy to that loan, but I did hear about it. I don't know when it was done. I again was not privy to any of that. But I knew Dan was a friend of Roger's, and I just wasn't involved

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with him. I don't know when it was done, but I have heard about it. I can't remember whether I heard about it down there at that time or read about it in the newspaper.

Q Okay. Did anyone at Lasater & Company have any relationship with anyone by the name of Bob Nash at the governor's office?

A That name rings a bell. I have heard the name Bob Nash before. I don't know.

Q How about Maurice Smith?

A Maurice Smith?

Q Yes, sir.

A That name again rings a bell, but I don't know. Those names are familiar to me, name recognition, but I don't know of anything specifically.

Q While you were at the company, did the company own any aircraft?

A Yes. I'm not quite sure how all this worked too. Dan -- again, I am gone from there. I really was going in the spring of '83. But during the time I was there, there was a Hansa Jet that I

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think Dan bought, called a Hansa Jet.

Q How do you spell that?

A H-a-n-s-a, a German jet. The wings went backwards. They were funny looking.

I think this is one of the things we got into an argument about. He sold the plane to the company or something and we bought another airplane, a Jet Commander. It was kind of the company's airplane.

I think Dan had a Learjet of his own. The Jet Commander kind of became the company airplane. If I remember correctly, I disagreed with the value of the Hansa Jet.

Q What he sold it for to the company?

A Or what it was traded in for and the company paid for. I remember having an argument with him over that.

Q Did the governor fly in any of those planes at any time?

A I heard he did, but to the best of my knowledge, I don't recall him flying in them. He didn't fly while I was there, but I heard he did.

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But I wasn't with him when he was flying.
Q Did you hear that while you were at the company?
A Pardon me?
Q How did you hear that he had flown on the jet?
A I had heard this several years later.
Q Who did you hear it from?
A I heard that he had flown. I think it was well after I had gone. But I had heard that he had flown in it, I guess it would be Lasater & Company at that time. To the best of my knowledge, I don't recall him ever flying in the company airplane.
Q Where did you hear that from?
A It was all over the town here in '85 and '86, I think when Governor Frank White was running.
Q You think you heard of it through the media or word of mouth?
A I can't recall. It could have been both. I really can't remember. I have a general recollection that somebody said that the governor had flown in one of Dan's airplanes or something.

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Q Are you aware of any illegal activity that occurred in connection with Mr. Lasater's investment in Angel Fire?
A No. That is well after I am gone.
MR. FEUER: I would also point out that on the face of that question, it is not within the scope of the Senate Resolution that authorizes our investigation.
THE WITNESS: Okay.
MR. O'CALLAGHAN: I will explain quickly why I asked the question. There have been reports that some illegal activity may have incurred in an investment Mr. Lasater made in Angel Fire. The reason I asked the question was to set up a foundation to see whether Mr. Collins had any knowledge of anything of that nature.
From there, I would ask whether or not he knew whether the governor had any knowledge of anything of that nature. That was the purpose of the question.
THE WITNESS: I was not there and not privy to any of that.

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BY MR. O'CALLAGHAN:
Q During the period 1983 through 1986, how would you describe the relationship that existed between Mr. Lasater and Governor Clinton?
A I have no earthly idea of any relationship. I did not speak to Dan from July of 1983 for about a 3-1/2-to four-year period of time.
Q How about prior to the time when you stopped speaking with each other, were they close friends or acquaintances?
A I don't recall him being close friends, to be honest with you, close friends or acquaintances. The only person I remember him being a close friend with was Roger Clinton.
Q And he is also an acquaintance of Ms. Virginia Kelley, Governor Clinton's mother?
A I don't know that.
MR. O'CALLAGHAN: I would like to go off the record for a second.
(Recess.)
BY MR. O'CALLAGHAN:
Q Do you know who Patsy Thomasson is?

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A Yes, sir.
Q How do you know her?
A She was a friend of George's. George used to date her in the '70s. So I knew her originally, I would say, '73, '74. George used to date her.
Then I didn't see her again until '81 or '82.
Q How did that come about?
A She asked for a job.
Q Who did she ask for a job?
A Probably all three of us. I made the mistake of letting it happen.
Q Why was that a mistake?
A I don't mean to -- I don't like her. I shouldn't be saying that on the record. In '82-ish, she was hired at Collins, Locke & Lasater.
Q What was she hired to do?
A I'm not real sure.
Q Why is that?
A Well, I don't know. I did not get along with the woman. I disagreed with her philosophy on how to treat people, et cetera. I'm not real sure

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what she did.
Q Was she involved in --
A I was only there for four or five months and then I was gone and he continued on.
Q Did she have any involvement in helping out with the activities of Mr. Drake and other people working on underwriting?
A You know, she was politically -- in this political circle in the state of Arkansas, but I can't recall any specific instance, but she could have. I think she was a highway commissioner for the state of Arkansas. So she had -- she knew the politicians within the state.
I'm sure she could have helped the firm try to do whatever we could to advance the firm. I personally didn't speak to her much and did not get along with her on an individual basis.
MR. O'CALLAGHAN: I'm going to continue this in a moment. We have to take a short break.
(Pause.)
BY MR. O'CALLAGHAN:
Q Are you aware of any efforts, any specific

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efforts Ms. Thomasson made with regard to helping the company get underwriting contracts?
A I'm not aware of any specific situations, but I would have thought that she would have tried to help us in any way she could have to get underwritings. I'm not aware of any specific instances.
Q Lobbying people in state government, that type of thing?
A I don't really know how to answer that. She was an Arkansas highway director, and she knew some of the politicians within the state. I'm sure she would have tried to help the firm in any manner reasonably that she could have. I don't know of any specific instances.
Q Was she familiar with the governor, Governor Clinton?
A I don't know who she was familiar with. I would assume So but I really don't know. I don't know what her and the governor's relationship was.
Q While you were at the firm, did they contribute money to Clinton campaign or inaugural

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funds?
A Well, I would have been gone well before the inaugural fund.
Q I guess it would be the inaugural fund in '82.
A You are talking about the governor?
Q Yes, gubernatorial inaugural fund, if they exist.
A We supported the governor, and to be honest with you, I still like him. I can't recall, but we could have. I could have given donations to him, yes, but I don't recall, but I probably did.
Q Did the firm encourage employees to support the governor with contributions?
A Let me think. I don't recall. I would have told people probably to try to support the governor. I wouldn't have gone out and say hey, beat somebody over the head for something. But we did support the governor.
I'm trying to think. I don't remember specifically. I could have said that we support the governor and we think he is a great guy and would

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like for you to support him. I don't remember any specific incidents, but we could have -- we did support the governor.
Q Are you -- were any Lasater -- let me start again here.
Were any Collins, Locke & Lasater employees reimbursed for any contributions they made to any funds --
A No, not that I recall at all, not that I know of.
Q If I can just finish. I will ask the question again.
Did any Collins, Locke & Lasater employees, were they ever reimbursed for contributions they made to either Clinton gubernatorial campaign or inaugural funds?
A Not that I know of, not that I recall.
Q Have you ever heard that happened?
A No. Something is in the back of my mind from years ago that we got accused or something like that, but I don't recall. That sticks in my mind, but I don't recall ever telling somebody we will give

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them money to give money to the governor.
MR. O'CALLAGHAN: We have to go off the record one moment, please.
(Discussion off the record.)
BY MR. O'CALLAGHAN:
Q You are not aware of people being reimbursed for campaign contributions?
A I don't recall any of it, I'm not aware of it, no, sir.
Q Are you aware whether the firm ever provided any funds or any type of remuneration to anyone in the governor's office in order to be included in state bond underwritings?
A No, sir, no, sir.
Q Are you aware whether anyone from Collins, Locke & Lasater either attempted to or did provide the governor with any cash or other type of remuneration in return for being included in state bond underwritings?
A No, sir.
Q Did Madison Guaranty & Trust maintain any accounts at Collins, Locke & Lasater?

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A Not that I'm aware of. Again, I was gone --
Q In June, July of '83.
A Yes, '83.
Q Okay. Have you ever learned that there was any money laundering associated with AHDA and ADFA bond offerings?
A No, sir.
Q I just have a couple more questions, Mr. Collins.
A Sure.
Q Did you ever attend a Christmas to Share program in Hot Springs in 1983?
A A Christmas what, sir?
Q A Christmas to Share program in 1983 in Hot Springs.
A I don't recall. A Christmas to Share? What was it, a party or something?
Q I believe so.
A I don't recall that, no, sir.
Q Are you familiar with something called the Mount Hood Pension Fund?

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A The what?
Q The Mount Hood Pension Fund.
A No, sir. The what pension?
Q Mount Hood?
A Mount like Mount Hood Pension Fund?
Q Yes.
A No, sir, no, sir.
Q I'm going to read you a paragraph from a letter produced to the Committee. It is a two-page document Bates stamped DKSN 027455 --
A All right.
Q -- and DKSN 027456. It is dated December 14, 1983, and it is on Lasater Farm stationery. It has a picture of a jockey with an L on his back.
A I remember that stationery.
Q It is addressed to the Honorable Bill Clinton, and it reads "Dear Bill, it was a pleasure to see you yesterday at the Hot Springs Christmas to Share program and to visit with you by telephone last night. We wanted to follow up with the details of our correspondence in this correspondence. With regard to the disbursement of the securities owned by

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Mount Hood Securities and National Investors Pension Fund, we have been working hand-in-hand with the personnel toward an orderly sale of the holdings, and in fact, handled the first stage of the disbursement in November when we participated in liquidation of 30 million of Illinois bonds. The companies have been our clients for quite some time and the account representatives are very familiar with the portfolios which are extremely important to the sales process."
A Right.
Q Then there is a short paragraph, and then the next paragraph after that reads "as we discussed rumor has it that co-managers of First Boston, Stephens, Inc. will be appointed the first of the year to consummate any further transactions in the portfolio. It is estimated there is approximately 1.9 billion debt securities which it is expected will be sold. If First Boston is appointed, it will mean that a larger percentage of the proceeds will be leaving Arkansas."
Are you familiar with the situation described in the letter?

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A Basically, no. I kind of recall something about there was an insurance company that was liquidating. It may have been National Old Line or something. I'm not sure. To be honest with you, I can't remember any of the details. We would have been aggressively trying to get business, which we should have been doing.

But I don't recall that letter. I don't know anything -- I don't recall anything about a Mount Hood Pension Fund, nor do I recall anything about this Christmas deal.

Q The Christmas party?

A Yes, sir. There is something in the back of my head that there was an Arkansas -- somebody was going to be selling bonds. I don't remember anything about the letter, the Christmas party or that.

Q Okay.

A I'm trying to answer. Have I answered your question?

Q You can only answer what you remember.

A I know.

Q Do you know why Mr. Lasater would have

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directed this letter to the governor with regard to the liquidation of the insurance --

MR. FEUER: Michael, I would point out, number one, this letter was written in December of 1983, which is six months after Mr. Collins left Collins, Locke & Lasater. He has already testified that he doesn't recall anything having to do with the Mount Hood Pension Fund.

I further point out that this also does not fall within the scope of the Senate Resolution which calls upon the Committee to investigate bond underwriting contracts between Lasater & Company and the Arkansas Housing Development Agency.

MR. O'CALLAGHAN: The reason I was asking the question, and I don't know if Mr. Collins can answer it, but it is to establish whether or not Mr. Lasater was getting assistance from the governor in other matters similar to state bond underwritings which would perhaps show a pattern of behavior or conduct which would indicate or go to show that Mr. Lasater or Lasater & Company was receiving preferential treatment from the governor's office.

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MR. FEUER: Even if the premise of your question were true, Mr. Collins has already testified more than once that he left Collins, Locke & Lasater in June or July of 1983 and didn't speak with Mr. Lasater for some period of time after that.

MR. O'CALLAGHAN: If he doesn't know, he doesn't know.

THE WITNESS: I -- I will shut up.

BY MR. O'CALLAGHAN:

Q You have no knowledge of that?

A No, sir. Not speaking up for anybody, but, you know, and certainly not Dan Lasater during this period of time. We did not like each other. But as a firm, as it goes to underwriting, Michael, you would have aggressively tried to seek business, honest, good solid business. That's what you were supposed to do to try to make a living. I shouldn't say that, but --

Q That's fine.

I actually don't have any further questions at this time.

The way we usually work, Mr. Collins, is

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the Majority asks questions first and the Minority has an opportunity to ask follow-up questions. If Mr. Feuer has some, he will do that. If I feel the need, I will ask some more after him.

We will let Mr. Feuer take the floor.

EXAMINATION

BY MR. FEUER:

Q Let me introduce myself again. My name is Mitchell Feuer. I'm a counsel on the Democratic staff of the Senate Banking Committee. For the purposes of today's deposition, I will be asking you some questions on behalf of the Democratic Senators who sit on the Senate Special Whitewater Committee.

A Yes, sir.

Q As Mr. O'Callaghan pointed out, the Republicans ask the questions first and the Democrats go second. I will cover some of the same ground that he has already covered, so I apologize for the repetitive nature of the process. But I will try to be as brief as I can.

If you don't hear my question, please let me know and I will repeat it. If you don't

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understand my question, please let me know and I will rephrase it so that we understand one another.

A Yes, sir.

Q Prior to joining T.J. Raney in Little Rock in 1979, which firm were you working for in Memphis?

A The name of the firm was Bevel, Bresler & Shulman. I first started working at a firm called UMIC. I believe that was the name, UMIC. And then I worked in Memphis for a firm called Bevel, Bresler & Shulman.

Q That was a securities firm?

A Yes, sir.

Q What type of securities work did you do for that firm?

A Primarily fixed income bonds, government and municipal bonds.

Q Did there come a time in 1983 when Collins, Locke & Lasater was awarded a bond underwriting contract for the Arkansas Housing Development Agency with PaineWebber and some other underwriting firms?

A Yes, sir. I believe we did win -- I'm not sure of the exact issue. But we did win an Arkansas,

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I think it was housing bond issue. I can't remember who the other firms were, but PaineWebber does stick in my mind.

Q Did Collins, Locke & Lasater help PaineWebber structure that deal?

A I would think that Michael Drake, who was supposed to be -- and Tommy Carter in a lesser way -- would have worked with the underwriters at PaineWebber and everybody would have worked together on it, I would think, to come up with a final bid, work with PaineWebber and whoever else was in it.

Q Was Collins, Locke & Lasater responsible for finding investors for a certain portion of the bonds that were issued by the housing agency at that time?

A You know, when you -- as a manager or whatever, when you win a bond issue -- and again, I have been out of this business for a long time -- you agree to take so many bonds down or you agree to kind of be responsible for X,Y,Z bonds. I believe that's the way it works. If they go down, you lose money. If they go up, you hope you make a little money.

We could have been responsible for a certain amount of those securities, a million or $2 million worth or something. I can't recall. I believe that's the way it worked. When you were one of a group of lead underwriters, you were responsible for a certain amount of bonds.

Q Do you have any reason to think that Collins, Locke & Lasater wasn't sharing the same risks that the other underwriters were?

A Oh, no, sir.

Q As far as you know, Collins, Locke & Lasater was at risk on the bonds that it underwrote?

A That's correct.

Q Was there a change in the composition of firms that underwrote state bond issues in Arkansas from the administration of Governor Frank White in 1981 and 1982 to the administration of Governor Bill Clinton that began in 1983?

A Not that I recall. You know, when we hired Michael Drake, we would have been aggressively trying to form our underwriting department, gone after bond issues. But to say that there was a change in



policy, I don't know of any change in policy except we were aggressively out there trying to drum up business. Does that answer your question?

Q Did the Clinton Administration have a policy of including a greater number of Arkansas firms in state bond issues?

A I recall that there was discussions in that regard, yes, to try to include Arkansas firms in Arkansas business. I don't recall that with the Governor, but I recall that being talked about.

Q Did you think that that would help Collins, Locke & Lasater win a share of the state bond underwriting business?

A I don't really know whether it would or not. If we were given the right to at least bid, provided the bonds didn't go down the next day -- which can happen, believe me -- I guess it could have helped us.

I think there was -- I recall some conversations about, Arkansas bonds, we would like some Arkansas firms to participate. That was a general -- I don't recall, as I say, talking with the

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Governor about that. But that was a general trend to bring in Arkansas firms to bid on Arkansas bonds.

I guess that could have helped us. I don't recall it specifically helping us, but maybe it did. It seems like I'm beating around the bush, but I don't know what to say.

Q Did you have any reason to think that Collins, Locke & Lasater would win a share of state bond underwriting business based on anything other than the quality of its bids?

A No, sir.

Q Did the share of Arkansas state bond underwriting business held by Stephens, Inc. decline after Governor Clinton took office in 1983?

A Gosh, I don't know. I really -- I don't know the answer to that question.

Q Was Stephens, Inc. excluded from state bond underwriting business after 1983?

A No, sir, not that I know of.

Q Did Virginia Kelley live in Hot Springs in 1983?

A I didn't really know. I think I met her,

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again, like once or twice. But I believe she did live in Hot Springs, yes, sir.

Q Was she at the Derby Day party at the Arlington Hotel?

A I don't recall that, but she loved the horse races. I can remember that. So she very well could have been. She liked going to the horse races.

Q Prior to the time you left Collins, Locke & Lasater in June or July of 1983, did Patsy Thomasson move from the Collins, Locke & Lasater payroll to a different payroll?

A I don't know.

Q Did she transfer to any other -- did she transfer to the payroll of any other companies controlled by Mr. Lasater or by his family?

A I don't know.

MR. FEUER: I don't have any more questions at this time.

MR. O'CALLAGHAN: I just have a couple, Mr. Collins, and hopefully we will be on our way.

EXAMINATION

BY MR. O'CALLAGHAN:

Q During the time you were with the firm, what percentage of your clients were located in the state of Arkansas?

A 10, 20 percent. Most of our business was in the secondary market and stuff. Most of the business -- we were doing more business outside the state than inside the state. We tried to do as much business as we could inside the state, but it is kind of a small state.

Q Do you recall what your reaction was the first time the firm was named as an underwriter on an AHDA bond offering?

A I'm sure I was happy.

Q Did you-all have a party or celebrate it in any way?

A I probably had a drink. God, I don't remember any specific party, but there could have been one. I just don't remember.

Q I was just asking because you said you were making a concerted effort to get some underwriting done.



A I'm sure we were happy and probably had a drink. I don't remember if we held a party or anything. There were too many parties being held. That was another disagreement that I had.

MR. O'CALLAGHAN: I have no further questions at this time. Unless Mr. Feuer has some more, I think we are finished for the evening.

Thank you for your time.

(Whereupon, at 7:50 p.m., the deposition was concluded.)

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DAVID A. COLLINS

CERTIFICATE OF NOTARY PUBLIC & REPORTER 79

I, BRENDA M. SMONSKEY, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Brenda Smonskey

Notary Public in and for the
District of Columbia

My Commission Expires SEPTEMBER 14, 1996

# DEPOSITION OF ROBERT RITTER
# IN RE: S. RES. 120

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**TUESDAY, APRIL 23, 1996**

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER
DEVELOPMENT CORPORATION AND RELATED MATTERS,
*Washington, DC.*

Telephone deposition of ROBERT RITTER, called for examination pursuant to notice of deposition, at 9:05 a.m. in Room 537 of the Dirksen Senate Office Building, before BRENDA M. SMONSKEY, a Notary Public within and for the District of Columbia, when were present:

DOUGLAS R. NAPPI, ESQ.
Majority Counsel
GLENN F. IVEY, ESQ.
Minority Counsel
LANCE COLE, ESQ.
Minority Deputy Special Counsel
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Building
Washington, DC 20510
On behalf of the Committee.

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PROCEEDINGS

MR. NAPPI: This deposition is being conducted pursuant to Senate Resolution 120. This resolution establishes a special committee administered by the Banking Committee to conduct an investigation involving Whitewater Development Corporation and other related matters. Section 1(b) of Senate Resolution 120 authorizes investigation and public hearings into, amongst other things, the activities, investments and tax liability of Whitewater Development Corporation, and as related to Whitewater Development Corporation, of its officers, directors and shareholders.

You may be requested to testify at public hearings in the future. This deposition is in advance of those public hearings. We will ask a series of questions, you will testify under oath. If you don't understand a question, let me know and I will rephrase. If you need a break, let us know. The stenographer will prepare a record of questions and answers. Depositions will be treated as committee confidential until the commencement of the



hearings.

Prior to the hearings, you will receive a letter from the Committee telling you that you may come to the Senate to review the transcript of your deposition and make note of any corrections for transcription on an errata sheet.

If you are called to testify at a public hearing, you will be permitted to have a copy of your deposition transcript four days in advance of your testimony. You may be represented by counsel. Objections to the form of questions will be noted for the record. Counsel may object on grounds of privilege or relevance. The Committee Chairman may rule on objections where the witness refuses to answer a question.

Please swear in the witness.

Whereupon,

ROBERT RITTER

was called as a witness and, having first been duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. NAPPI:

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Q Please state your full name for the record.
A Robert Ritter, R-i-t-t-e-r.

Q And your present business address?
A Is Community National Bank, 522 Market Street, Metropolis, Illinois 62090, I believe.

Q Did you speak to anyone regarding your testimony today?
A No. Just I think when -- the first gentleman that called and you and that's basically it.
Q Were you ever employed at Citizens Bank of Flippin?
A Yes, I was.
MR. IVEY: Before I get to that, are you represented by counsel?
THE WITNESS: No, I'm not.

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MR. IVEY: Are you in the room alone right now?
THE WITNESS: No, I'm not. My wife is here. Would you prefer her to leave?
MR. IVEY: I don't have a preference. I thought we should have whoever is there with you on the record.
THE WITNESS: She said she would leave. She just left the room.
MR. NAPPI: It is probably best.
BY MR. NAPPI:
Q Could you state the dates of your employment at Citizens Bank.
A I think I can come very close. September 15, 1979 until December 31, 1983.
Q In what capacity were you employed at Citizens Bank?
A President, CEO and director.
Q So you were a member of the board of directors?
A I believe so.
Q Was this your first job in the banking

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industry?
A No, it was not. I had had several years experience prior to this.
Q By "several," do you mean two, five?
A Closer to 12.
Q And had you served as a bank officer previously?
A That's correct.
Q And as a loan officer?
A Yes, sir.
Q What was the asset side of the Flippin Bank during your tenure?
A Basically $20 million.
Q By "basically," do you mean that it varied around that amount?
A It started around 19 million and ended up about 22 while I was there.
Q How many loan officers were employed there during your tenure?
A At any one time or over a period?
Q Over the period from late '79 to late '83.
A Hold on just a second, please. Wayne

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Ellis, George Myers, Ron Proctor, Walt Williams, then another part-time individual, Keith, and I can't think of his last name right now. I believe that was it.
Q So five individuals?
A Right.
Q Could you give us those names again. Wayne Ellis, Ron Proctor, a Mr. Williams?
A Walter Williams and George Myers.
Q And you supervised these loan officers?
A Yes, sir.
Q During your tenure at Citizens Bank, were you aware that there was a loan outstanding to the Clintons and McDougals?
A Yes, sir, I am, I was, and even before then.
Q What do you mean by "even before then"?
A When I originally met -- just a minute -- Frank -- I keep wanting to say Franks, but I think that was his wife's name. One of my predecessors there. It wasn't James --
MR. IVEY: Are you thinking of Frank

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Burge?
THE WITNESS: Frank Burge. Yes, he had informed me during a visit that even the governor of Arkansas was one of their customers.
BY MR. NAPPI:
Q This visit, was it related to a job interview?
A Yes, it was.
Q What did he say about the governor of Arkansas?
A It was just a casual remark, that one of their customers was the governor of Arkansas, nothing more.
Q When you came to be employed by Citizens Bank, were you the loan officer directly responsible for management of this loan to the Governor of Arkansas?
A I'm trying to remember whether Wayne Ellis was, but I remember dealing on it. Whether it was because Wayne was not able to make something happen or whether I somehow ended up with it by default. I remember, I believe, the loan was past due at the

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time that I arrived, so it would have had immediate attention. I remember working on it early on, yes.
Q Okay.
A Repeat the question or maybe I missed something.
Q No. You raised a couple of issues. I'm just pausing for a moment to think where I'm going to go next.
You say early on in your tenure --
A I mean basically in September or October.
Q Did you come in and review all of the loan files?
A I did.
Q And was the -- first of all, would it confuse you if I refer to this as the Whitewater loan?
A No. There was only one loan there so I know what we are talking about.
Q Was the Whitewater loan typical of the bank's lending portfolio?
MR. COLE: If you know what "typical" means. I'm not sure that I do.

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THE WITNESS: Let me describe the typical loan portfolio at Citizens Bank, if that will help.

BY MR. NAPPI:

Q Sure.

A All of the loans were basically demand notes. All of them were at the limit of usury at that time.

Q By that you mean 10 percent?

A Yes. Basically all of them were at the limit of usury that I remember. The reason that all of them were demand, I can do some conjecture, but on my own, I say it was probably because of the opportunity to renew all of them at the time of the usury changes in Arkansas.

So when that would have occurred, and it did, then it was a matter of renewing all those notes at a higher rate.

Basically, the whole portfolio looked of that nature, with six-month renewal notes or six-month notes or one-year notes. Many of the people that I talked to at the time when all of that was going on stated that James Patterson had told

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them that they didn't have to make any principal reductions on notes and they only had to pay interest only, because we needed the outstanding loans.

Right or wrong, I never did talk to Patterson about it, but basically that's what the portfolio looked like.

There were some notes that were due for renewal or had matured and there were also some installment loans where payments were past due. There were some past dues at the time I came in. I reviewed all of the loans basically for my own knowledge, to get a better feel for it.

That was the typical type loan.

Q So, it was typical as to structure. Did the bank typically make commercial real estate development loans?

A Yes.

Q Okay.

A Even unknowingly, they did.

Q What do you mean by that?

A I'm sure people borrowed it for other things and it went into a commercial venture. From

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my opinion, at the onset of my career there, my opinion was that the previous administration was extremely loose in their making of loans, period, regardless of to whom.

Q By "previous administration," you mean one --

A There was only one. That was James Patterson and Frank Burge.

Q Why did you feel that they were extremely loose?

A Because of the condition of the files and the type of loans that were made. There was some, potentially, some pretty heavy charge-off in those days, things that had not been repossessed that should have and on and on.

Q By "files," you mean they just didn't do proper due diligence on the credit files?

A In some cases, as well as records or notes or just making sure that history was recorded and what has taken place and the applications were filled out and what the purpose of the loan was and why it was made in some cases. There were a lot of "good

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old boy" loans in those days. It might have been that somebody that knew a director or somebody that knew the management.

That's my opinion.

Q Yes.

A Okay?

Q In your opinion, was the Whitewater loan one of these "good old boy" loans?

A It was not an unusual loan in my opinion, probably as it fit in with all the others.

Q What do you mean, "it fit in with all the others"?

A It resembled many of the other loans that we had on the books, loan for land, loan for speculation in some cases, the shortness of the notes for renewal purposes, the size or the amount was congruent with other loans that we had in those days.

The difference was probably the people involved. They had much more notoriety than the other people we lent to.

I treated it like basically any other loan

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with the exception I walked a little closer to the edge, maybe.

Q When you came in, I'm not talking about the way you treated this loan, when you came in, you said you had some concerns about their loan portfolio. You found some loans that you qualified as, in your opinion, "good old boy" loans, and my ultimate question was, was this loan, the Whitewater loan, one of these loans you would have classified as a "good old boy" loan?

A It had the same connections as some of the others, as far as that goes. At that time, my thought was not as much a "good old boy" loan as much as it was an investment piece of property. I really didn't view it at that time as a "good old boy" loan because I didn't picture there being a real strong connection to the then governor.

MR. COLE: Why is that, Mr. Ritter?

THE WITNESS: I guess I just wasn't aware of all of the networking that had gone on behind the building up to this level at that time.

BY MR. NAPPI:

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Q What do you mean? You later became aware of some networking that took place?

A Later, I became aware that there was more involved to the Whitewater loan than what I had originally envisioned. When I first walked in there, I did not realize that the property had been put together by Chris Wade, if you will.

Later on, I found, I believe, that Chris was one of the sellers or arranged to have the property sold or was involved somehow, and probably there were some other properties involved in the same sale. It was a large sale at the time, I believe.

Q What did you see of the significance of that?

A I didn't think much of it in those days.

Q What do you mean, "you didn't think much of it"?

A I didn't give it a lot of concern, simply because there was a lot of speculation of property going on in our area at that time. So, it wouldn't have been unusual to find land speculation on the books.

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There were other properties, maybe even from the same tract of land that we financed, if not very close to it, down on 101 for other people.

Q I mean, are you saying that when you did learn about the networking that took place behind the scenes, as you described it, that was not a significant discovery?

A No, it really didn't alarm me in any way, shape or form, simply because there were other loans very similar to that where Chris Wade might have been involved in because he was a local realtor and brought us a lot of business in those days. Of course, mind you, I'm looking at that time at all of our board of directors as being very upright citizens, they are all wanting to do well, and try to bring us business and try to be helpful at the same time.

So, I guess I just wasn't extremely alarmed. Once I found out that Chris was involved in the land sale, it didn't raise a lot of negative thoughts on my part at that time, mainly because he was involved in so many other projects.

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What I'm saying is it really didn't click.

MR. COLE: I just want to be clear on one thing, Mr. Ritter. This is Lance Cole from the Democratic side.

We started down this line of inquiry when you mentioned, and Mr. Nappi asked you about the Governor's involvement in the loan and initially you said you weren't aware of the networking that was involved. As I understood what you said after that, the networking involved Chris Wade, not the Governor; is that correct?

THE WITNESS: As far as I was concerned, Chris was an insider, brought us some deals. I don't remember when I became aware that Chris was involved as the realtor of that project.

Once I did find out that Chris was the realtor of the project, it didn't alarm me. Am I explaining myself clear enough?

MR. COLE: I think I understand what you are saying. I don't know if Mr. Nappi has additional questions.

BY MR. NAPPI:

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Q I'm curious as to why that discovery was of significance. You mentioned it in your testimony, and now you are saying "but it really didn't matter."

A It is just one of those things. I wasn't aware of any of the networking that went on putting this loan together. All I knew when I walked in there is I had a loan to the Governor and his wife and another banker and his wife. I never met any of them at that time. But I believe it was past due at the time that I came in. I'm trying to remember back. If it wasn't, we were missing financials. There was something we were missing in September or October that we needed, and I believe it might have been from an August date. I don't even know that for a fact.

There was a piece to the loan that we needed, and I remember having to follow up on that, either for the extension agreement or for financial statements or for interest, whatever the purpose was.

At that time it was basically another loan,

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only it was to a higher level person than we probably had in the bank as far as politically goes. We had some other people that we had loans to also that were what I consider wealthy individuals, which I would have taken a lot of precaution with, and the same thing with this loan. I took a lot of precaution with it, not to irritate anyone over this loan.

So I walked softly, and I probably would have handled it a little bit different than I might have the regular loan that was in the portfolio based on who I was dealing with so as not to irritate not only the Governor at that time, but our board of directors also.

Q You say "you walked softly."

A Well, I would normally call up someone and say, you know, I really need this as of this date, and I might have done this with these also, except that I would have been a lot more forceful on a normal customer than I would have been with the Governor, and I probably walked a little softer with my tone of voice when I was talking to them or my approach in who I called and how I got the results.

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But nevertheless, my goal was to get the results.
Q Okay. And you said you were --
A I just wasn't as forceful doing it.
Q One of your concerns was to not irritate the board of directors?
A And the Governor, yes.
Q Were you told by anyone on the board of directors to handle this loan differently than you might handle other loans?
A No, I don't believe so. We eventually became concerned over the loan, and I don't remember exactly when that was. But somewhere along the line when we kept running past due, I think basically all of the directors -- I can't speak for them, but the way that I feel they thought was basically they would rather have the loan than have somebody else have it.
Q What do you mean someone else have it?
A Let it be at another bank someplace.
Q If we could backtrack. You say when you first came to the bank --

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A Uh-huh.
Q -- Wayne Ellis was unable to make something happen on the file, I think is the language you used.
A Yes.
Q What were you getting at there?
A There were items that, as I said, that were probably needed or unfinished on the loan that maybe Frank Burge had set up. It was a matter of follow-up. For whatever reason, Wayne -- I don't believe Wayne was able to achieve the goal of bringing those in. I probably ended up with the file because of that, because I remember dealing with this early on in my career.
Q Are you talking about documentation for the credit file?
A Probably, or just follow-up in bringing things in that were outstanding.
Q Interest payments and principal payments?
A Could be.
Q Why was he unable to make it happen?
A Well, Wayne was not a very forceful person

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to start with.
MR. COLE: Do you know who he was dealing with, Mr. Ritter?
THE WITNESS: No, I don't remember even if he was for sure. I'm just trying to remember back. But I remember dealing with it early on. I remember Wayne being the senior lender at that time. As to why I ended up with it, I believe it is because Wayne was unable to do something with it.
MR. COLE: One thing that would be helpful to me in this deposition, I know you regarded this as one loan with one set of borrowers, but when you refer to dealing with them or dealing with the borrowers, if you could be as specific as you can, whether that means the McDougals, the Clintons or Mr. Wade acting on their behalf.
I think that would help us in terms of our record here.
MR. NAPPI: Or anyone else you may have dealt with.
THE WITNESS: I will try to do that.
BY MR. NAPPI:

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Q You also said the loan needed your immediate attention.
A Along with some others. But this one in this particular case needed some attention at the initial start, because it would have become an item either on an examination or it became a reportable item to the Board at a particular time. So, it would have been one of my concerns. I wasn't concerned mainly about loans that were up-to-date and everything was paid. I didn't spend a lot of time on those.
Q In your professional opinion, had the prior administration done a good job of administering this loan?
A In my opinion? I guess, as I remember back, I probably thought to myself at that time that maybe they went a little strong.
Q What do you mean, "went a little strong"?
A Probably a little strong on the advance of the funds versus the purchase total and stuff like that. As far as the lendable amount versus the collateral value or purchase price.

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Q So, you think they may have loaned too much based on the value of the underlying collateral?
A Well, yes, and not only this loan but some others. Basically, I guess I was a little more conservative than they were. I let that be and didn't spend a lot of time thinking about it. All I knew is I had a loan I had to collect or do something with before it is all said and done. I didn't spend a lot of time going back and saying, gee, why did they make this loan to start with or who was involved or what is the deal total. I didn't get into all that.
MR. COLE: I'm a little confused, Mr. Ritter. This loan was a 90 percent loan ratio-to-purchase price loan by your bank; is that correct?
THE WITNESS: What I understand or thereabouts.
MR. COLE: Was that an unusual lending ratio at that time?
THE WITNESS: Not for that bank. It would have been for me. 80 percent on speculative land,

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might even have been 50 percent.
MR. COLE: What I'm focusing on, and I think what everyone who is interested in this Whitewater loan is focusing on is whether this loan was treated differently than other loans by the bank at the time.
THE WITNESS: No. What I'm saying is I don't believe it was.
MR. COLE: Your response to Mr. Nappi's question, if read out of context, could be read otherwise, when you said they went a little strong on this loan.
THE WITNESS: Yes.
BY MR. NAPPI:
Q Returning to this loan, and correct me if I'm wrong, your concern with this loan was that there might not be sufficient collateral to support the loan amount?
A No, I don't think that -- let me think back for just a minute.
Q Take your time.
A The proper way I can phrase this, my

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concern for this loan, as well as a lot of other loans, was there was a lot more loan-to-value than what I was used to. That's part one. Part two of my concern with this loan initially was there was action that needed to be taken. I didn't spend a lot of time thinking back any further than that other than this is a block of land and what happens if. I went through all those scenarios, and the fact that it was a speculative land investment had me somewhat more alarmed than it would have anyone else in that whole bank.

The only reason for it -- and it wasn't this loan only, it was others also.

Q Your concern was the 90 percent value ratio that was used?

A Yes, for this loan and others, too.

Q So, what you are saying -- so, it was not the value or the appraisal of the Whitewater property?

A I don't remember on that one about the appraisal part. In general, I didn't trust appraisals.

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Q Trust appraisals at that bank or in general?

MR. COLE: That goes without saying. You are a banker, Mr. Ritter. Sorry. Having borrowed to try to buy a house, I couldn't resist.

THE WITNESS: In those days, appraisals came up approximately to the price that one needed.

BY MR. NAPPI:

Q Did you ever seek a reappraisal of the Whitewater property?

A I don't remember. I do remember looking at it, but I don't remember whether we ordered another appraisal at any time.

Q Again, we are focusing on the fall of '79.

A Okay.

Q There were some concerns about how the file had been maintained, I take it?

A Yes.

Q You were concerned about some of the lending policies of the bank?

A Yes.

Q You were concerned about this being an item

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in an examination?
A That's correct.
Q How did you classify this loan, again, the Whitewater loan?
A I don't think that we classified them in that category in those days. We might have had an exam either just prior to me getting there or just shortly after I got there, and the exam might have pointed this out at that time, but it might not have, I don't remember. In either regard, we didn't classify them in the way that we classify them today.
Q How did you classify them?
A I'm not sure we did. I don't remember giving this a rating per se in those days. It wasn't -- that wasn't one of the buzz words of regulators in those days. It was either substandard or it was a loss or it was above substandard, and I think we considered this one above substandard.
I don't remember exactly the categorization that was given to this all the way through, but I don't believe when I walked into that bank, that there was a classification given to it other than if

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it was on an exam, I might have seen what the classification on the exam was and reacted accordingly, but I don't remember that.
Q Were you regarding the failure to pay down principal or to have paid down any principal?
A Yes, I was, but that was me in general. We had a lot of loans that were not paying any principal in those days, simply because of the past precedent as I described.
In particular, I don't know if you want to get into this subject now, but it had to do with the sale of land. There should be a principal reduction on all loans in my opinion, and this was one that needed that also, and it wasn't getting it, if I remember right, early on. But it might have early on and then later, we had to just collect interest only for a while. I believe there was even a request for additional funds, about $20,000 worth or something, at a later date.
Q The records we have indicate that as late as August of 1980, there had been no pay down of principal.

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A That would make sense to me.
Q And that's almost a year after you joined the bank and they still have not begun to pay down principal.
A Right.
Q Was this a matter of concern?
A I'm sure it was. Because in that early time, and I don't remember exactly when, I found out that there were land sales going on on that property and they would have been sold under contract, and I became alarmed when we weren't getting any of the moneys from those sales, for one thing. Two, that there was nothing being put into escrow in the way of warranty deeds, and three, we had not agreed to release any land on a particular basis that I remember.
Usually when you do something like that, you go in and say we will take 90 percent of everything that you sell and apply it against the note, leaving the 10 percent for development costs or something of that nature. But there didn't seem to be anything to cover that. My concern was when one

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finishes paying off their -- I am trying to think of the word for it -- it is a contract for deed -- how does one of the buyers get a release of enough land out of the bank to get a clear deed or clear title to the property that they are buying?
And that, by the way, was not just on this note. That was a matter of practice in Arkansas, or at least in our area up there.
Q So, you are talking about the installment sales?
A Yes. Well, yes. I would come in and buy a piece of property from someone and it might be two acres and they might have a mortgage against 20 acres or 100 acres. That person and I worked this out, I not being very astute, would not know enough to ask that a release of deed and warranty deed be placed in an escrow contract someplace that when I get done paying it, it comes to me automatically.
MR. COLE: Who was handling those lot sales, if you came to know that?
THE WITNESS: There were several. Nancy Watts, Chris Wade, one of -- let me think who else

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here.
MR. COLE: By those lot sales, I'm referring specifically obviously to the Whitewater lots.
THE WITNESS: I am, too.
BY MR. NAPPI:
Q If I may add, what time period are we talking about right now, '79 through '80?
A Around 1980 or so.
Q You said you became aware of sales. Were these installment sales contracts or more typically mortgage financing sales or mortgage financed?
A They would be on the sale of a piece of real estate out of the total parcel that we had financed on contract for deed to a buyer, and that would be an installment-type sale. But the property that they expect to get on the installment when they are done is real estate --
Q Yes.
A -- if I'm explaining that clearly enough.
Q I understand.
What about that style of financing, the

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installment sales financing of real estate purchases --
A That would have been normal in our area at that time, mainly because of the education level of the buyer.
Q I'm not sure I see the connection.
A Not the education level. Maybe the astuteness of dealing with real estate of the buyer.
MR. COLE: It didn't have anything to do with the reluctance of banks to make loans, did it?
THE WITNESS: It might have. We had a limited 10 percent usury. We weren't interested in making any loans.
MR. IVEY: You should know that Mr. Cole is from Arkansas.
MR. NAPPI: Hence his populist streak.
THE WITNESS: My mother lives in Arkansas. I like Arkansas. Don't get me wrong. I'm just saying that was typical in those days. We actually basically shut off loans until usury got changed.
BY MR. NAPPI:
Q When did the usury limit get lifted? That

was in 1980?
A It might have been '80 or '81. I don't remember.
Q It was when the federal law was changed to allow --
A Yes. It might have been 1980.
MR. COLE: On the usury point, Mr. Ritter, during the period up until the limit was lifted, your bank there was working with the borrowers that you had in your portfolio in terms of charging them the maximum amount of interest allowed by law and often not requiring principal reductions; is that what you testified to earlier?
THE WITNESS: Yes, that's correct. I started changing that and became very unpopular.
MR. COLE: I can imagine.
BY MR. NAPPI:
Q What about that means of financing? Did you see any potential problems for this Whitewater real estate development?
A I believe I did at that time. My major concern, of course, was for the bank, and my concern



was what happens when one finishes paying their contract and how does the bank fit into all this when the buyer of the property expects title and can't get it because there is still a lien against the property.
Q Were you concerned that under this installment financing procedure, the bank's capital would be tied into the loan for an extended period of time?
A The way this was going, it seemed to be, yes.
Q This was a fairly significant loan for a bank of your size?
A That would be also correct.
Q Would you say it was a serious concern?
A Let me think. I don't know that we were concerned as to serious. We had some other things that we felt were more serious that we felt had to be dealt with. Was I concerned? Yes, because I felt we needed some debt reduction. By the same token, and I would have to refer to my notes in the file, but I believe there were reasons given as to why they

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couldn't.
The other practice was, for most of the banks in that area, was basically to collect their interest and renew it and eventually expect the repayment from the sales of properties, and that concerned me because of the sales being on contract and us not receiving any of the funds from those sales.
Q You keep coming back to that. How did you discover that there were sales under contract and you were not receiving proceeds?
A I don't remember.
Q Did you take steps to correct that, like establishing a different protocol for escrow?
A Well, see, we had no control over that, because we wouldn't have been privy to all those sales. I'm trying to remember how I -- I don't remember how I knew that there were sales going on other than maybe Chris Wade had brought us potentially a couple of customers or Nancy Watts or somebody may have mentioned something about sales or there may have been -- I just don't remember. I

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really don't remember, honestly.
But I do know that there were sales going on, for whatever reason. If I was back there at that time, I could probably tell you why, but I can't tell you now.
Q Do you have any of your files, any files, any records?
A No, I do not. I took nothing from Citizens with me.
Q Do you recall when the 10 percent usury limit on bank loans was lifted?
A I do, but not the date.
Q I'm not asking --
A I remember the event, yes.
Q I'm asking you to direct your attention to that time.
A All right.
Q After the limit was raised, the interest rate that the bank charged the partners in Whitewater for their loan increased significantly.
A Yes.
Q You recall that?

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A Yes, because I believe I made that loan renewal, I believe.
Q Okay. When that occurred, was there any concern that the real estate development would not throw off a sufficient income stream to pay down the interest that was compounding?
A Yes, we had that across the board in many cases, not only this one but others.
Q But still we are focusing on this one. Was that a concern?
A Of course.
Q What was done to address that concern?
A I believe that we requested some be put into payments, but I don't remember. I don't remember. I think we were always pushing for payments but we were having a hard time just getting the interest.
Q Who were you pushing for payments?
A Mostly Jim McDougal or Susan.
Q When you say "mostly Jim McDougal or Susan," was there one of the McDougals you dealt with more frequently than the other?

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A I dealt with Jim quite a bit, because he was a fellow banker. I would pick up the phone and reach him at the bank. I didn't have to chase anybody else down.
Q Did you know Jim McDougal before joining Citizens?
A No, I did not.
Q Did you ever have any dealings with then Governor Clinton regarding this loan?
A Yes.
Q Do you recall the circumstances around that?
A I do one of them for sure. The other one I'm a little fuzzy on. I believe there were two times.
One was on a renewal of a note that we needed done and we were lacking his signature. He happened to be up in our area for a cocktail party -- I can't remember what the event was. I don't remember the event, but it was at the telephone company. He was there and we knew he was coming, and it was prearranged that we would get together and he

would sign the extension agreement or give me a financial statement and sign the extension agreement -- I don't remember how that worked exactly.

But it was in the telephone company, and he signed the extension agreement or note in the computer room on top of a printer.

The other time, I think we met in Yellville another time, and whether it was just a brief discussion I just don't remember, but it was not -- it was nothing of major significance that I would have remembered other than that. Another time at another event we briefly talked.

Q Did you talk about the loan?

A We talked about the loan, that I just really need to have a particular thing, whatever it was. Most of the time where we would be in proximity to him, there was usually something we seemed to be needing.

Q What do you mean, something you needed?

A Well, to finish the file. The basic contact was with Jim McDougal and if I needed



something, I would call Jim and say I need Mr. and Mrs. Clinton's financial statement, Jim, I am missing that, I need yours, Jim, I need some interest, we need to talk about how this is going to be reduced, things of that nature.

Then he would try to get them and we might be lacking one item to finish up the file for documentation purposes, and I might have said, Governor, you know, I really need that financial statement of yours when we were together, like in Yellville. I believe he was up there -- he wasn't even governor at that time, I believe.

Q So, was this during the time period after he lost to Frank White?

A Frank White, right.

Q The other meeting at the telephone company was prior to the Yellville meeting?

A I don't remember, I don't remember. I don't even remember the event. I know we were all together. I don't remember why.

Q Who was all together?

A There was a group of people, and it might

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have been the grand opening of the telephone company they remodeled, and that might have been the reason. But all of our directors and a lot of dignitaries were there, including the Governor. Most of our bank staff was there at the same time.

The telephone company had remodeled. That might have been the event. I don't remember. I believe he was there for that also.

Q You say that this was prearranged, that you would obtain whatever you needed from the Governor.

A Right.

Q Who did you make these arrangements through?

A I believe through Jim McDougal.

Q You have made a couple of references to needing financial statements from the Clintons. Do you recall whether that was a problem during your management of this loan?

A It was always a hard thing to get, to finish up the documentation on things with this loan. It was also complicated by the fact of who was probably involved, but nevertheless, there were four

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signatures we always needed, and there were two sets of financial statements at least that we needed. We needed to have a multitude of documents signed. So, when we would try to get all this done, it became not a problem but it became a time period over a period of time that we were trying to get these documents back in. Usually we would get them back in piecemeal.

So, we might get one of the financial statements in today and then I might be trying for the next three weeks to get the other one back in, or an extension back. A lot of times -- I remember the extensions taking a long time, and I attributed it to the fact that someone needed to come up with some money to pay the interest.

This was not a slam-dunk when it came to getting everything done the way it was supposed to be done.

Q You say you attributed it to having trouble raising money for the interest.

A Because at the same time, somewhere in there Jim McDougal had requested an additional amount

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of money, either directly through me or through Chris Wade. They seemed to be having a problem coming up with the interest.

So, in order to extend the loan, we needed not only the paperwork but we needed the interest paid to date.

Q All right. You said something to the effect of this loan was not a slam-dunk as far as getting things done the way they had to be done.

A Right.

Q I think we have discussed the need to get interest payments. What else about this loan made it more of a perimeter shot and not a slam-dunk?

MR. IVEY: In honor of the start of the NBA playoffs, I guess.

THE WITNESS: Right. I'm back to my statement about there is two sets of financials and a multitude of signatures on documents that need to be signed versus a regular loan where you sit down and get all of those at one time.

BY MR. NAPPI:

Q Was there hesitance to provide financial

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statements by the borrowers?

A I think that was -- let me try to see if I can describe this well. There was never a hesitance when I would call. It took forever to get them.

In other words, it would be like me asking you, Mr. Nappi, would you provide me with your financial statement, you saying yes, and then three weeks later, Mr. Nappi, where is that financial statement?

Q Was it easier to obtain the financial statements from the McDougals than the Clintons?

A I believe so, because I remember on the financial statements, it was carried around supposedly in a coat pocket for a while, it had been folded well. I don't remember what year that was, but I remember finally getting it. I think I got that one in person now. That was from the Clintons.

McDougal usually sent his financial statement in -- I don't remember now. I can't answer you on that. I remember several times needing financial statements from either one or both parties, but I can't identify the dates and times and all

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that.
Q Any financial statements you obtained, would they have been placed in the credit file?
A That's correct.
Q So, they would still be maintained in the bank's credit files --
A That's correct.
Q -- as well as all other documentation that you would have on this type of loan?
A I presume so.
Q I guess you can only testify as to your practices. But you would have maintained a complete credit file to the extent that you had the documentation you needed?
A Right. Probably there would have been a comment sheet on the front left-hand side of the file folder that would have had a chronological order of activity.
Q What about Mrs. Clinton? Did you have dealings with her with respect to this loan?
A She and Mrs. McDougal both were my very first contact on this loan, I believe, unless I had

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met Jim McDougal just briefly before that. But either way, the three of them I met, Jim McDougal and Mrs. Clinton and Susan McDougal. I refer to Mrs. Clinton. She used Rodham, I believe, at that time.

But the three of those, early on in my career, I met. I believe it was to finish up part of what was needed to be done on that loan for renewal or extension or whatever. I believe my memory takes me that Jim McDougal may have come in separate, either before or after all that, and the two ladies came in by themselves. Now, maybe Jim came with them, I'm not sure, but I do remember dealing with both of the ladies.
Q You are certain that Hillary Rodham Clinton and Susan McDougal came to meet with you regarding a loan extension?
A That's correct, at the bank.
Q So, they came to the bank?
A Right.
Q Do you recall when this was?
A It was early, because I was in the middle

office of the bank at Flippin, and later on I moved -- if you were to look at the offices, I was on the left-hand side, and later on I moved to the right-hand office and then later on we built another office.

So it would have been early in my career.

Q When was the new office built?

A Around 1982, the end of '82 or so.

Q So it would have been before the end of '82?

A This would have been back around '79 or the early part of '80 that I'm talking about.

Q Who set up this meeting?

A I believe I might have called and asked them to come in and we needed some signatures on some documents, and may have made an exception that I would let the Governor sign these documents and let them bring them in and then the three of them had to sign in the office at one time or another.

Q Who did you call? Who did you make the initial contact with?

A I don't remember. I would guess it was Jim



McDougal, but I don't remember.

Q Was it difficult arranging for the parties, Mrs. Clinton and the McDougals to get up to Flippin?

A Without a doubt. They were going three separate ways, I believe.

Q Do you recall the time that passed between you making an initial contact about the need to have a meeting and the meeting actually occurring?

A I really don't.

Q Okay. Why did you feel you needed an in-person meeting?

A Well, I needed to see the signatures being made, and I think in those days, if one would have allowed some signatures to be done off premises, it could have constituted some branch banking which was probably not allowed out of the particular area.

I think I was concerned and I just wanted to see the instruments be signed in person rather than have somebody take them someplace else. That would have been for everybody that had a loan with us, not just this group.

It was just a practice I had. That's the

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best way to say it.
Q Can you walk us through the meeting, what occurred?
A I believe at that meeting it was just some greetings and then getting right to the documents that needed to be done. There might have been a discussion as to future pay down, but I don't remember.
Q What do you mean, a discussion about future pay down?
A What is going to happen to the principal, the long-range plans.
Q You made inquiry about a business plan?
A That would have been normal. I can't picture me not doing it with them, too.
Q Did you ask them about what they saw as to where they expected to get the source of proceeds to make interest and principal payments?
A I don't think I did at that time, that early meeting. I assumed that they had the wherewithal, and I guess I was mainly in those days thinking that the deep pockets were McDougal's and

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probably not the Clintons.
(Recess.)
BY MR. NAPPI:
Q When we went off the record, we were talking about the initial meeting at the bank of Flippin regarding loan renewal or a meeting involving at least Hillary Rodham Clinton and Susan McDougal.
A That's correct.
Q Do you recall how long this meeting lasted?
A Maybe a half hour at the most, I believe, but I don't recall exactly, no. It was a short meeting, because I would have had things prepared already, so it wouldn't be a long-time thing.
Q Do you recall who spoke during the meeting?
A Well, between the two ladies, I think it was probably an equal exchange. I probably led the direction of the conversation.
Q Did both ladies appear to be knowledgeable about the loan, about the real estate deal?
A They seemed to be, and they seemed to be knowledgeable about the interest rate and everything else.

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Q Do you recall any specifics that leads you to feel that they were knowledgeable?
A Well, either the initial meeting or possibly at a later date, and that's a number of years back, so it is kind of a stretch on this, but to my recollection, one of the meetings that we were at, and I believe it was just Mrs. McDougal and Mrs. Clinton at that time were there, and we had a renewal to make, and I believe it was after usury had been changed.
If I'm not mistaken -- and I'm going by -- I believe those notes came due around August of each year or something like that or every six months. I don't remember if it was one year or every six months. It would have been after usury had changed. I believe I increased the rate of that note up to around 19 percent or 17 percent or something like that. I don't remember what it was exactly. I remember the discussion that ensued because of that, and both of them very well understood what it meant to go from 10 percent to 15 or 18 or 19 at that time.

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There was a discussion as to why do we have to pay that much interest.
Q Again, let's focus on this initial meeting with Mrs. Clinton and Mrs. McDougal.
A Okay.
Q Did they seem to understand the business plan for this real estate development?
A I really don't remember.
Q Were there subsequent meetings with Mrs. Clinton?
A I believe at least one more. I don't remember any more than one more.
Q Do you recall the specifics?
A It was to renew the note.
Q So, the second meeting was also for a renewal?
A Yes.
Q And who was at this meeting?
A I believe that was Mrs. McDougal and Mrs. Clinton.
Q You believe it was just the two of them?
A Just the two, because I remember them

sitting on the edge of my desk when I walked into my office.

Q And do you recall when this meeting took place?

A Not exactly.

Q Would it have been the next loan extension?

A I believe so. Here again, I was still in that same office, and whether I made the original -- the very first time that they came in, I believe it was to finish up something that someone else had started, like Frank Burge, where we needed some signatures.

The second time -- and that would have been like from August of '79, some issue that that took place that would have still been undone in September.

The next time I believe was probably a year later that I remember, around August of '80 or September of '80 or somewhere in there, when they had come in. I believe Jim McDougal either came in before them or after them, separate from the two of them.



Q Yes.

A He could have been there, too. I don't remember.

Q This meeting took place at your office in the Flippin Bank?

A Yes.

Q Could you walk us through what you recall of this meeting?

A The only thing I can really remember honestly is the discussion regarding the interest rate, some cordialities and getting the documents signed. I don't remember much more than that.

Q If this was 1980, the records we have available indicate there had been no pay down of principal by this point in time, by the 1980 extension.

A That I believe also.

Q Do you recall any discussions about this?

A I'm sure there were, but I don't remember what they were.

Q Do you recall anything regarding the loan that Mrs. Clinton said?

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A The one thing she did say was that it seems like -- I believe this was the time that the interest usury rate had been lifted, and I remember the comment that she felt the interest was extremely high after all the work that was done to get the usury limit changed.

Q What did she mean by that, all the work that had been done to get the usury limit changed?

A By the state and everyone else involved, trying to help the bankers get the usury limit changed and then we immediately bounce up to that level.

MR. IVEY: No good deed goes unpunished.

THE WITNESS: I remember a discussion about that, because it is just one of the humorous things you remember.

BY MR. NAPPI:

Q Did Mrs. Clinton seem more knowledgeable about real estate financing than Mrs. McDougal?

A I thought they were both pretty sharp. I didn't take either one of them for fools, and I felt that they were both fairly knowledgeable about real

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estate and the transactions, and I also didn't even realize at that time that Mrs. Clinton was an attorney, but now hearing all that, I guess I just didn't even think about her being an attorney.

But they were both very knowledgeable on real estate, in my opinion. Susan seemed to be a little bit more knowledgeable as to the Whitewater Development than Mrs. Clinton, maybe, if I remember right, because she seemed to have more of the specifics as to what was actually going on.

Q This loan was the subject of a participation, was it not?

A You know, I don't remember. I believe it was, but I don't remember. It would be in the file.

Q Okay.

Do you recall that the Union National Bank --

A Yes.

Q -- had a participation in this loan?

A Yes, now that you mention it.

Q Do you recall who you dealt with at the Union National Bank regarding this participation?

A I remember being in his office and I can't think of his name right now. Peter Pietz and I went down to visit him and asked if there was any -- how did we put it? We asked if there was anything owed to them in our relationship that doesn't seem to be on paper anywhere, and we were talking more in general, not just to this loan.

The name is not coming to me.

MR. IVEY: What do you mean by "anything" --

THE WITNESS: This would have been fairly early in my career there. I wanted to know what obligations that we had on participation loans, such as whether we were first in, last out, and that type thing.

Documentation showed one thing, but sometimes there were unspoken, if you will, code of the hills-type things that may be in writing one way but expected to be performed a different way when it came time.

BY MR. NAPPI:

Q Why did you have reason to believe there



might be some kind of nonwritten agreement regarding this loan?

A Typical banking.

MR. COLE: I don't believe he said as to this loan. I believe he said in general.

THE WITNESS: In general. It wasn't just to this loan.

I really don't remember precisely whether Union Bank had this participation. They had most of our participations at that time.

BY MR. NAPPI:

Q So, they were a fairly significant correspondent bank?

A They were.

Q What was the arrangement, the correspondent arrangement with you and Union Bank?

A I was told there were no ties other than what was in writing. That's the way we took it to mean.

Q Did the bank of Flippin have a discount committee?

A Yes, it did.

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Q What was the role of the discount committee?
A It was pretty much most of the board. The role of the discount committee was to approve loans and to talk about past dues and plans of action, to set policy and procedures.
Q Policy and procedures with respect to past-due loans?
A And the making of loans.
Q Do you recall any meetings of the discount committee where the Whitewater loan was raised by yourself?
A Not in particular, but it could have been. I just don't remember. I'm sure that there was discussion made regarding it; I just can't remember it. The best way to put it, in general, I'm sure that we discussed it because it was an item that would have been discussed. As to particular times and what was discussed exactly, I can't tell you.
Q I'm not sure I follow you.
A Well, I remember this loan being discussed. When it was discussed or what was said is

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a different story. We would have discussed this loan more than once, and I remember also running this history of this loan by at least two different people. One would be Peter Pietz and the other would be Guy Alexander. We may or may not -- I'm sure we talked to Chris Wade about it at one time or another and also Sanders.
Q Why are you certain that this loan would have been run by the discount committee?
A Because when it is past due, it gets there. And it would have been past due during one of those times and it would have been reported to them.
I also remember in general talking several times about this loan and the workout plan that should or should not be put in place and that type of thing.
Q Do you recall what kind of workout plan you had for the loan?
A Not offhand, not now.
Q Do you recall anyone on the board of directors being hesitant to push too aggressively on this loan with respect to a workout plan?

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A There might have been one or two, but in general I think most of them supported my views.
Q Do you recall who these one or two peopie were?
A Not exactly. I could sure guess, but not exactly.
MR. COLE: Did Mr. Wade participate in discussions about this loan as a director?
THE WITNESS: Yes, he did, yes.
BY MR. NAPPI:
Q Was he a director during your entire tenure?
A No.
Q What time periods?
A From when I got there, and then I bought out all of his stock sometime in around beginning of 1983 or mid-'83 to get his board seat back.
Q You personally bought it out or you had the bank buy it out?
A No. I personally did it through support of -- I remember now. This would have happened around mid-1983, and I arranged for a loan through

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Twin Citibank to buy Chris's shares out. I forget how many dollars I borrowed to do it. There was an agreement that I made with Chris Wade that if for any reason those shares sell for more money -- I don't remember whether the deal with Twin Cities was just then in the works, I think it was -- that if there was more money to be gained by the sale of the stock at a later time, he could have 100 percent of it, I just wanted him off the board.
MR. COLE: So when you say -- you are referring to the acquisition of the bank in Flippin by Twin Cities Bank?
THE WITNESS: Yes, which happened at the end of 1983.
MR. COLE: Your arrangement with Mr. Wade was if Twin Cities purchased the shares at a higher price, that he would share in that increase?
THE WITNESS: Right. I would give him 100 percent of the increase, minus the interest charges and all that.
MR. COLE: Was it contemplated at that time that Twin Cities would acquire or was the bank

generally for sale and you didn't know who would be the buyer?

THE WITNESS: Once I found out the bank was for sale, I knew the buyer was potentially Twin Cities. I can't tell you when I found that out, but it must have been around July or so, maybe June.

BY MR. NAPPI:

Q Of '83?

A Of '83.

Q Okay.

A I do have notes on that loan that I took out. So if I had to go back and get those dates, I could get them.

Q That is not necessary right now.

A Okay.

MR. COLE: I did have a reason, though, Mr. Ritter, for asking about Mr. Wade's participation as a director in discussions concerning the Whitewater loan.

Was the rest of the board and the bank's officers aware of the role that Mr. Wade had played and was playing as a broker on the Whitewater



properties?

THE WITNESS: I believe so.

BY MR. NAPPI:

Q Who was on the board during your tenure?

A Guy Alexander, Peter Pietz.

Q Could you spell that name?

A P-i-e-t-z, I believe.

MR. IVEY: P-i-e-t-z?

THE WITNESS: It might have been P-e-i-t-z. I think it is P-i-e-t-z.

Vada Sheid, S-h-e-i-d, I believe. She was a state senator.

MR. NAPPI: BY MR. NAPPI:

Q Her first name was?

A V-a-d-a, Vada.

Q Who else?

A Lyle Wood, W-o-o-d.

Q You can just keep --

A Steve Sanders. Kerm Powers, P-o-w-e-r-s, I believe.

Q His first name was Kerm?

A Kerm, Kermit. Of course, Chris Wade.

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MR. COLE: Glenn Johnson?
THE WITNESS: Glenn Johnson and myself.
BY MR. NAPPI:
Q This was during your entire tenure?
A Kerm Powers came on after I got there, fairly early, like around 1980 or '81, something like that. And I'm not sure I remember whether there was a board seat open, and there may have been because of Frank Wade -- or Frank Burge leaving.
So, maybe when Frank left we brought Kerm on. I don't remember what we did to replace Chris when he left.
Q Were all of these directors members of the discount committee?
A I don't remember who specifically was. Most of the meetings were Glenn Johnson and Lyle Wood and Peter Pietz, Steve Sanders occasionally, depending on his schedule. Chris Wade was always there and Kerm Powers.
Q You mentioned Vada Sheid. Is that the name?
A Right.

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Q She was a state senator?
A That's correct.
Q Were there any other members of the board who were elected officials?
A No. Chris Wade's dad was appointed road commissioner someplace in that. Other than that, I don't know. Let me think about Kerm Powers for a minute. Kerm could have been an elected official in Yellville.
Q Were any of them active in politics?
A Everybody is active in politics.
Q Did any of them hold official positions --
A Not that I know of.
Q -- in a political party?
A Not that I know of.
Q You have testified as to your recollection of two meetings with the Governor, or Bill Clinton, I should say, since he wasn't governor during both meetings.
A That's correct.
Q And two meetings with Mrs. Clinton.
A Those are the ones I remember. There could

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have been more.
Q I can only ask you to testify as to your recollection here.
Do you recall any written correspondence with the Clintons regarding --
A I do.
Q Did you write to them directly or did you send -- did Mr. McDougal handle the correspondence?
A I really can't recall without seeing some notes. But I remember writing, and whether it was through McDougal or whether it was directly to the Clintons, I would have requested financial statements directly from the Clintons, not through McDougal. There would have been written correspondence on that in one form or another.
There would have been things that I probably sent to the Clintons that would have gone directly through them, the same thing to the McDougals. But I can't remember precisely each one.
There would be normally copies of all that in that file.
Q How do you know you would have requested

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financial statements directly through the Clintons?
A Well, I remember trying to get financial statements, for one thing. I keep coming back to that, because that seemed to be I believe the hardest thing for me to get, along with the interest, at least, or any type of principal.
I do remember making requests for financial statements, and sometimes I think I even tried early to make requests before I needed them because I knew it was going to take a while to get them.
We would have sent the forms directly. This is simply my procedure-type thing, and that is that when I have a note coming due and I need financial statements, at least once a year I try to get financial statements. It is not saying I didn't by accident overlook something or it was not timely, but that would have been what I would have tried to do. I do remember chasing down for financial statements on this account.
Q Do you recall any telephone conversations with the Clintons regarding this loan?
A The only thing I can remember is possibly

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calling Mrs. Clinton one time or more, but at least one time, and I remember many conversations with Jim McDougal.

Q Do you recall what the subject of that one conversation you recall with Mrs. Clinton was?

A No, I don't really at this time, other than to set up a meeting. That's the only thing I can think of, or I needed a financial statement back. But I really don't remember.

Q Do you recall any inquiries from the Clintons as to the status of the loan or any other matters regarding the loan?

A No, I don't remember that. I don't recollect having them call me. I'm not saying it didn't happen. I just don't recollect it.

Q With respect to the financial statements that the Clintons provided, do you recall any particular instances where there were deficiencies or inaccuracies?

A I remember one in particular, because I remember talking about it with one or two of our people at the bank. That was the one I referred to

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being -- I believe it showed a net worth of maybe around $200,000 or something like that, with one debt. There were not many debts on it, but I remember a Citation in particular, a Chevy Citation in particular, a fairly large debt. I don't remember much more than that other than it was a fairly low net worth, of that nature.

Q Why do you recall that specific financial statement?

A You know, I really don't remember exactly why now. But I remember at the time talking about, it seemed to me there were two houses that were owned. There was some equity there. They supposedly had no debt on them, I believe. I don't remember whether or not Whitewater was even listed because I believe they may have not had that on that financial or they may have shown equity only, which would have been a practice in those days for a lot of people. But I just don't remember -- I remember when that came in, I thought, oh, that is strange. I did not do anything about it.

Q Right now, I'm looking at a financial

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statement from May -- it is dated May 21, 1981 and signed by Bill Clinton.

A All right.

Q It contains a listing for land in Marion County and notes that there is a note on the land. It does not place a value either on the asset or the liability.

A That may have been --

Q Do you recall --

A Because I remember I was concerned. I was saying, well, what about all this debt.

Q Did you follow up on that concern?

A I don't remember at this point. I think I just accepted the financial statement, threw it in the file and said fine, let it go. I just don't remember.

MR. COLE: As we are looking at that statement here, and this is difficult because obviously you don't have it in front of you, Mr. Ritter, I see what you mean. It does appear that financial statement, which is dated May 21, 1981, under "assets" describes three pieces of real estate,

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a home in Little Rock, a home in Fayetteville and then number three is land in Marion County.

On each it shows liabilities, and it lists them, a mortgage on the two houses and then it says for the land in Marion County, a note on the land and a note on house on the land, but no dollar amounts are shown --

THE WITNESS: That sounds familiar.

MR. COLE: -- on the land in Marion County.

THE WITNESS: Does it show an automobile with a debt against it?

MR. COLE: It shows a 1979 Oldsmobile and Chevy Citation.

THE WITNESS: 6000?

MR. COLE: 7000. You are close.

What did you mean when you said showing equity only was a normal practice at that time?

THE WITNESS: Many people would try to -- some of it through pure innocence and others through a pleading of ignorance might neglect true debt and show only equity in a particular project. It wasn't

the first time I had seen it.

I think I had the same problem with Chris Wade on a couple of deals. I had seen it in Illinois prior to that where contractors would show equity only in their business and not show all the true debts of the business anywhere.

In order to chase it down, you needed about four financial statements from different corporations.

BY MR. NAPPI:

Q Generally speaking, why do people engage in this practice?

A Like I say, probably two reasons. One, out of ignorance or the other out of pretended ignorance, and they may have had another ulterior motive when they did it. I was always rather cynical as a banker so I assume the worst.

MR. COLE: The financial statement we are discussing, which appears to be the one you recall, does show, for the two homes in Little Rock and Fayetteville, it shows an asset value and then it lists the dollar amount for liabilities, and then for



the land in Marion County, which we understand to be the Whitewater property, although that is not indicated on this document, it shows neither an asset value nor a liability.

THE WITNESS: Okay.

MR. COLE: So it is not exactly what you were describing in either instance, because with the real estate homes, they show both the asset value and the outstanding liability.

THE WITNESS: They do show the debt on there.

MR. COLE: Yes, they show the debts. They show them itemized separately. Then, for the land, they don't show either an asset or a liability. So this does not appear to be what you are describing, which would be where you show the net, what I would call your net equity.

THE WITNESS: Let me try a hypothetical on you for a minute. Suppose the land was worth $70,000 and the debt was 100.

BY MR. NAPPI:

Q So, was it your opinion that they did not

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list asset value or liability --
A I really didn't draw an opinion on that at that time even. I don't remember. I just thought it was rather interesting, but I really didn't draw a conclusion from it. I guess the other thing I thought was possible and might be a break-even situation down there.
MR. COLE: Could it also be that you held the note on this land and you were familiar with this project?
THE WITNESS: I knew the debt.
MR. COLE: Because this was being submitted to you?
THE WITNESS: Yes. I don't have a problem with either of those. Like I say, that was a common practice not to show the total debt.
MR. COLE: I understand. I just thought you were saying something different. For example, if I had a house that was worth $100,000 and it had a $50,000 mortgage against it, it might show the net value on a financial statement as $50,000 as my equity in the real estate. That's what I understood

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you to be saying until I looked at the financial statement.
THE WITNESS: The Whitewater property was the only thing I was really referring to.
MR. COLE: Even on the Whitewater property, what I just described was not done.
THE WITNESS: It doesn't show the asset value, but it shows nothing.
MR. COLE: It shows nothing in either column?
THE WITNESS: No.
BY MR. NAPPI:
Q Did you ever make any inquiry regarding that item on the financial statement?
A I honestly don't remember. I remember discussing that internally in the bank but not any more than that.
Q Do you recall who you discussed it with?
A One of my fellow loan officers.
Q Do you recall which loan officer?
A Not offhand.
Q Do you recall what you said about that?

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A No, not exactly.
Q I'm not asking you to quote it verbatim.
A I remember laughing or joking about it a little bit, that that is rather interesting that there is no asset value or that it was a net value or something like that. I forget what it was. That it didn't seem to be in total accuracy.
Q So you found that somewhat entertaining?
A I think so, internally in the bank.
Q Was that unusual?
A The thing that drew our attention to it was the debt on the Citation.
Q Why did that draw your attention to it?
A I can't tell you. I don't remember. It was strange that there was a $100,000 debt, I believe, or somewhere around that, 80, that didn't seem to appear but a 6 or now you tell me 7 debt on that Citation did.
MR. COLE: That was why I asked if perhaps the case was that they assumed your bank knew what was owed on the property.
THE WITNESS: I just don't know. I don't

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remember doing anything more about it either.
MR. IVEY: What would have been the state of the bank's knowledge about what was owed on that property?
THE WITNESS: I'm sorry? Repeat that, please.
MR. IVEY: Never mind.
BY MR. NAPPI:
Q Mr. Ritter, again, I apologize, you don't have the document in front of you, so I will try to describe the document I'm looking at.
It is a form of guaranty, the standard bank form, it looks like, dated the 5th of August 1981. It is a corporate guaranty from Whitewater Development Company to the Flippin Bank.
Do you recall seeking a corporate guaranty from Whitewater Development Company?
A Yes, I do. I believe somewhere along the line I had discovered that somehow the title had changed from a partnership or to a corporation or that there was a corporation, all of a sudden, involved that I hadn't suspected.

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I believe -- I'm really stretching now. Just a minute. Let me think for a minute. I believe at that particular event, I was surprised that either the title had changed or something had changed. I believe it was the title had changed from the partnership to the corporation even though we still had the note. I wanted the corporation's guaranty also, even though our mortgage would have -- it was one more name to add to the list.

MR. COLE: Was there any discussion of transferring the debt from personal debt of the partner to a corporate debt of the corporation?

THE WITNESS: There might have been, but I don't recall it. There wasn't before the corporation was found, because I discovered the corporation somewhere along the line when I was nosing around about somehow the sales of the real estate down there on contract. But I don't really recall exactly. I remember discovering that there was a corporation involved that I wasn't aware of, and I remember bringing that to Jim's attention and then I remember having to rework some documents because of that.

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BY MR. NAPPI:

Q Did anyone allege that the corporation had any assets that might provide the bank with recourse in case you had to act on this guaranty?

A I don't remember. I remember when I got the guaranty, it was more of one of wanting that extra signature. I don't remember requesting a financial statement on the corporation. I could have. I just don't remember that.

I don't believe I was even thinking much deeper, and I don't believe the board was involved with this at all. I believe it is something I took upon myself that once I found that name involved, that I had the corporation guarantee the note that we had that was still on the partnership and still had the individuals, and I was still looking at the deep pockets as being the individuals, not the corporation.

But I just don't remember getting any type of financial statements on that corporation.

Q Would it have been your practice with respect to this loan to seek a financial statement

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from the Clintons on each instance where you sought a financial statement from the McDougals?
A Yes.
Q You don't recall deviating from that practice at any time?
A Not on purpose. I can also say that if there was one that was not eventually received, it is possible that was overlooked somehow, because later, towards 1982, I believe, there was another officer that might have been involved with this a little more than I.
Q Who was that?
A I think Ron Proctor eventually picked up part of it, maybe George Myers for a short period of time possibly. But I think Ron Proctor ended up dealing with it because once we got into 1983, I believe I was more concerned with the bank than I was the loans.
Q Do you recall ever seeking an assignment of the deed contracts to the bank?
A I don't remember. It seems to me that I might have, but I don't remember. Come to think of

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it, I think that at one time that when we knew that there were some deed contracts going on that we might have tried that. I don't remember the outcome. There was something that said there was some additional value there. Whether that was at the time they wanted to borrow some extra money or not I don't remember. Now that you mention that, I do remember something about that, looking at assignments. I don't know whether that was me directly or me saying something to someone else that they ought to look into it. I'm just not sure.
Q I'm looking at a record here, and I apologize again for not being able to show it to you. The date is cut off, but it seems to be a write-up on the loan. Not a regulatory write-up but --
A An internal memo?
Q Yes. It talks about Chris Wade or it states "Chris Wade visited with Bob Ritter about assigning contracts on Whitewater estate to Citizens Bank and Trust Company and that the payments on the contracts as collected should go into a checking

account which we will need to set up as Whitewater Estates. However, this should be looked into a little more closely because I believe it is a corporation and we are going to need a corporate resolution to support the checking account."

Do you recall this conversation with Wade?

A Yes, a little bit, maybe in general.

Was there something else to go with that, such as a request for $20,000 or something like that?

Q Well, the interest funding loan was made in 1982. There was a loan number 10295. It was a $20,000 loan on November 1st of '82.

A Okay. How does that coincide with the date on my memo?

Q I can't give you the specific date on your memo, because it is cut off as to the listing of the month. It is a 1982 memo.

A Okay.

Q It was written on the 30th of some month in 1982. I'm looking through some records right now to see if there is anything that would indicate. What



do you recall of the interest funding loan, the $20,000 loan that was made on November 1st of '82?

A Well, I'm not sure how much I recall. I recall some things in general. I'm not sure that at first it was called an interest funding loan. I thought it was some additional funds that they needed for something initially, and then later on, I think it turned into basically to pay the interest on our original note.

Q I apologize for my characterization.

What do you recall of the loan?

A I remember the request. It just wasn't one of those ones that is real black and white. It had a lot of reasons not to make the loan probably.

Q Do you recall why there were reasons not to make the loan or feeling that way?

A Just previous history on the loan in general and the problems that we had had. However, they were running -- because of the interest rates and because of things that changed in the speculative part of that land and it wasn't paying off the way everyone expected it to, I think they were running

short of cash, or at least cash flow.

If I'm not mistaken, I believe Chris is the one who originally proposed it, or Jim McDougal originally called me and I said no. Chris came in and tried to say here are some ways we probably could do it.

My nature is to try to find a way to do things, not to find a way to necessarily turn them down. If I found a way that made some sense in helping the bank not be totally unsecure, I would try to do something like that.

Q I have found a record. It is a letter of direction addressed to the Citizens Bank & Trust Company. It is signed by James McDougal as president of the Whitewater Development Company. It is dated October 30th of 1982, which would be two days before this $20,000 loan was made.

Does that refresh your recollection as to any connection between these two?

A No, not right now.

Q Do you recall whether this assignment of escrowed funds was an attempt to gain greater



security in making the subsequent loan?

A I think that was so.

Q Did the board of directors have to sign off on the $20,000 loan?

A I believe they did.

Q Do you recall the meeting at which they considered this loan?

A Not in particular, no.

Q Do you recall anyone on the board of directors expressing reservations about making additional credit available?

A That would have been normal.

Q Do you recall specifically who may have?

A Lyle Wood in particular, I believe.

Q Why did Mr. Wood seem concerned about making --

A He wasn't the only one. I'm not sure that Peter Pietz didn't also have some real reservations. Kerm Powers would have been another one. In this particular case, I'm not sure they did, but the board in general I don't think was 100 percent behind the additional advance, just from my recollection.

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Here again, it wasn't a slam-dunk. There was a lot of discussion that would have taken place at that particular discount meeting or at a board meeting. I'm not sure. It could have been a board meeting.

Q Do you recall who advocated making the loan?

A I would have proposed it. I'm not sure I advocated it. I think I may have proposed it and said here's a way that this possibly could be made if we want to make it. I know that the major force behind that one came from Chris Wade.

Q Did anyone else advocate making this loan?

A I can't be sure of that. I don't remember who was exactly. There would be records on that, though, by the way.

Q Yes.

In this instance, this loan is made in November of 1982. You have a loan that has been outstanding for over four years. There have been problems in receiving payments of principal and interest. Would you say that is correct?

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A That's correct.

Q Speaking for yourself personally, what did you see as, you balanced the equities, reasons to make a subsequent loan to these same borrowers, an unsecured loan?

A We really wanted out of the credit at that time. I think that there may have been some promises that they could probably do some other things or whatever the reason may have been at that time. I'm not sure there weren't some promises that someone could take this out and maybe over to Lavaca or to -- I can't remember where Jim McDougal's bank was at that time. It is not coming. Over to McDougal's bank itself.

I wasn't exactly sure, and that is kind of vague at this point in time.

Q Do you recall who made these promises?

A No, not exactly. But Chris and Jim McDougal were the two big players at that time.

Q But you specifically recall mention of Bank of Lavaca?

A Yes. Wade had not broken his ties with Jim

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Patterson, and Patterson had always been nosing around over at Flippin anyhow, constantly trying to make life miserable. I'm not sure that -- I'm not sure that that wasn't talked about.

But there had to have been a fairly decent reason for making a $20,000 unsecured loan, and I can't remember what it was.

Q But you just testified that you recall discussions to the effect that they would use this loan to clean up their loan so that they could get financing elsewhere?

A Either that -- I'm just not exactly sure on that.

But I believe I recollect some discussion regarding how they could take this loan out of the bank and take it to another institution. That's one part.

The other part was that there appeared to be some equities someplace else over and above the asset value of the land, somehow, contracts that would help reduce the principal part of the loan. We would have been looking for an assignment of those in

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order to look for principal repayment, rather than having them go directly into either a corporation or to the principals.

But there would also be a write-up in either the minutes or the discount committee as to why the action took place on that $20,000 loan. If you have my notes there, you have the file there, there should have been a write-up by myself to the discount committee discussing the merits of that.

Q Was there any discussion of the need -- was there an acknowledgment that this was a loan to the governor of the state at this meeting?

A I guess I really don't understand the question.

Q Yes, because I didn't phrase it very well. I apologize.

Let's focus in on the meeting where the $20,000 loan was discussed.

A Okay.

Q During the discussion where the pros and cons of making the loan were discussed, was there any acknowledgment of the fact that this would be a loan

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to the governor of the state?
A Quite honestly, that subject always came up throughout the whole life of the loan, the fact that this was the Governor or ex-Governor or soon to be Governor again.
That was always acknowledged from day one. Whether there were exceptions made because of that, I don't know, but at least everyone was well aware of who he was.
Q So, at every meeting of the board or the discount committee that you can recall the fact came up that this was a loan to the governor of the state?
A Didn't even have to remind them. They all knew that. You didn't even have to mention it.
Q How could you tell they were aware of it?
A Because everybody knew who he was. Arkansas is a small state. So it doesn't take a rocket scientist to know that he is governor or he is going to be elected governor again.
It was just one of those -- it wouldn't even have needed to be mentioned. Everyone knew exactly who he was.

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Q Do you recall any specific discussions regarding this fact?
A Originally, Frank Burge was bragging about the fact that -- once I came there, Frank and I were together for maybe a week or two at the most, and Frank was bragging about the fact that we did have the Governor. He thought that that was really a coup, that we had the Governor on the books and he was rather proud of that fact, I think. That's the way I remember it at that time.
Later on, the discussion was always that this is the Governor who is involved. I guess the feeling that I got, as I remember back, is that there were two parties, one that supposedly had deep pockets and the other one that had the political clout. Supposedly the deep pockets were the McDougals and supposedly the political clout was the Governor.
Q So, there was a need to provide special treatment to this loan?
A I don't know about the special treatment part. I'm using a lot of conjecture here for a

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minute.

Chris Wade was extremely involved in this for a multitude of reasons, once I found out more. One was the sale of the land contracts or sale of the property, the initial sale of the property through Chris as being the agent and acting again as agent to sell more of their property once it was put into the Whitewater "loan," that the property itself would then be sold by a lot of the local realtors, including Chris Wade.

So, Chris always had a major involvement because of that. Because of that and other things is the reason that I bought Chris off of the board, and because Chris, nice enough fellow that he was, was also kind of a thorn in everybody's side on the board.

So, eventually that came to a head in '83, but during the early years, Chris would have been a very active board member in trying to persuade myself and others to do certain things as it related to this loan, and other loans too, but mainly ones that he had a financial interest in.

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I don't know if that best describes that or not. But as far as special treatment, probably other than walking on eggshells a little bit more than I would on other loans and being a little bit -- going that extra mile to be accommodating, I guess, but there are certain other people I would have done the same thing on.

Q Can you recall any other person that you treated similarly?

A I don't remember the names, but there would have been several large loans or very prominent people in the area that I probably would have walked a little closer or softer on. One might have been Microplastics, that would have been a loan. I think we had a loan at the same time where I was trying to get the account or we had the depository.

Of course, Forest Wood would have been another one. We didn't have any loans with them that I recall. We might have, but we certainly had the depository-type accounts and loans to his family. We would have bent over backwards for those people. Some of the larger ranchers in the area we might

have. Johnny Wilson is an example, is one of the customers that I probably would have been the same way. But he didn't request anything special, but if he had, I would have looked at it very carefully.

MR. COLE: I take it, though, Mr. Ritter, what you are describing is just normal business practice where some clients are larger or more significant than others and you are not suggesting that you or anyone else at the bank did anything illegal or professionally improper in connection with this Whitewater loan?

THE WITNESS: That is correct, or anybody else's loan.

BY MR. NAPPI:

Q Mr. Ritter, do you recall ever receiving a financial statement from the Clintons that was addressed to the Bank of Cherry Valley?

A There was a financial -- I don't remember Cherry Valley, but there was a financial statement that did come in that was addressed to somebody else, and I thought it was Citizens Bank of Lavaca, or possibly the McDougals' bank. I don't recall that



precisely. I remember a financial statement coming in addressed to someone else at one time. I don't remember doing anything about it.

Q Were you surprised to receive a financial statement to another bank? Was this common?

A It happens occasionally. It has happened to me before.

Q Was it an original execution or was it a copy of an executed financial statement?

A I just don't remember.

Q Do you recall during your tenure a sale of a parcel in the Whitewater property to Chris Wade?

A I don't remember that one.

Q Do you recall a release or executing a release, partial release, for a lot on which a model home was to be built?

A A model home?

Q Yes.

A Was that a log cabin? Do you know?

Q I do not know. Mr. Cole is indicating that it was not a log cabin.

MR. COLE: A prefabricated modular home.

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THE WITNESS: I don't remember that. If at all, vaguely is all.

MR. NAPPI: I don't have any further questions at this time.

EXAMINATION

BY MR. COLE:

Q Mr. Ritter, this is Lance Cole. The procedure that we follow is after the Majority Counsel completes their questions, Minority Counsel asks follow-up questions.

I do want to go back over some of the areas that Mr. Nappi has already covered. I will try to be as brief as we can because I realize we have had you on the telephone for a long time. I apologize that perhaps this is not the most efficient procedure, but it is the one that we have agreed to here.

You began at the bank in Flippin in 1979?

A Yes.

Q Where did you work prior to that?

A The Bank of Illinois in Normal, Illinois.

Q So, I was going to ask you about what your understanding was of the real estate market in

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northern Arkansas and the Marion County area prior to 1979.

A I didn't have an opinion.

Q You had no knowledge of that. Did you come to know that persons like Mr. Wade and others in the real estate business in that area had been successful in real estate in the late 1970s and made a good deal of money?

A Yes. That's the reason I moved down there.

Q And did the real estate market change during the time that you were there in terms of supply and demand and profitability?

A I got the word late. It had already changed before then.

Q That's what I was -- I can't nail down the date, but I thought around 1979?

A All of the Cadillacs were '77 vintage.

Q Related to that, was the Whitewater Development project an unusual real estate project for that area at that time?

A I don't believe so.

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Q And had Mr. Wade engaged in other similar projects in one form or fashion of another?
A It may have been part of the same parcel, but the answer to the question, I believe, is yes.
MR. NAPPI: But you had no specific knowledge of Mr. Wade or anyone else's real estate development activities prior to --
THE WITNESS: Prior to '79, no. However, I did know those people prior to that. I didn't know them personally but I knew of them.
BY MR. COLE:
Q "Those people" being?
A Being Chris Wade and some of the others over at the bank in Flippin. As I stated, my mother lives in Arkansas over in the little town of Salesville. I would go down to visit quite often and nose around the banks down there. So, I would hear a lot. I interviewed at that bank in maybe June of '78 maybe, with Frank Burge to come in as a number two man for Frank Burge and I was not selected.
So I was familiar a little bit with that area and the people and who the players were a little

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bit. So, my desire to be a CEO and the desire to move to north central Arkansas was strong enough for me to take that position at Flippin when it became available.
So I was familiar with the area, I was familiar with the land sales, I was familiar with the development that was going on. I missed out on the part where it had changed.
Q Timing is everything in life, they say.
A I guess.
Q What I was getting at was whether there was anything unusual about the making of the Whitewater loan or the terms of that loan based on what you found when you came to the bank in 1979.
A No, I don't believe so at that time.
Q And the fact that as the documents that we have indicate, the credit was set up on six-month demand notes, was that standard practice for that kind of commercial real estate loan?
A It was.
MR. NAPPI: He testified as to that.
BY MR. COLE:

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Q You also testified that you found that, in your view, Mr. Patterson was, I think your word was, loose with respect to the operation of the bank?
A I could use some other words.
Q I take it that, perhaps, based on some of your comments that Mr. Patterson left the bank under not the most friendly of circumstances?
A That's also true.
Q So your references to Mr. Patterson's management weren't directly specifically to the Whitewater loan then?
A No.
Q And that was just characteristic of generally the manner in which he was running the bank?
A The things that he was doing at the time, yes. I can't speak as to why James Patterson made that loan. That is completely different than my opinion, I'm sure.
Q And you also testified that when you were talking with Mr. Burge initially that he boasted or seemed proud of the fact that the Governor had a loan

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with that bank?
A That's correct.
Q Did anyone tell you when you came in and were hired that you should give this loan and the Clintons special treatment?
A No. They did happen to mention, though, that -- one of the board members, or more, also mentioned that we do have the Governor on the books for a loan, and I think it was a matter of fact or a matter of passing, not necessarily any type of instructions or anything other than that.
MR. NAPPI: When did they mention this?
THE WITNESS: Very close to the time, either while I was being interviewed or shortly thereafter.
MR. NAPPI: What board members?
THE WITNESS: I don't recall exactly. I can tell you that I believe at my initial interview it might have been been brought as a matter of passing, and it would have been kind of a jokingly type thing that would have been done very similar to "let me tell you how good our bank is, we even have

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the governor of Arkansas on the books." I think it was more of a kidding thing.

MR. NAPPI: Do you recall which director brought this up?

THE WITNESS: I don't remember. I think it was more of an in-fun, jest-type thing, like "we are happy to have you aboard." It was kind of an in-jest.

MR. NAPPI: Was it Vada Sheid?

THE WITNESS: I don't remember Vada being at that initial interview, but she might have been there.

MR. NAPPI: Was it more than one director or one director?

THE WITNESS: I don't remember. It was kind of a more in-fun poke-type thing, and not derogatory and not -- I'm trying to describe how that would have come off. But it wasn't one of "be careful, we have the Governor, you have to walk softly." It wasn't that type of thing. It was more of a thing if I were going to sell my house, I might even say and don't forget, George Washington slept

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here.

MR. NAPPI: Were there any other specific loans that were brought to your attention at that initial meeting?

THE WITNESS: The fact that there were some -- they gave me a general condition of the bank at that time.

MR. NAPPI: But any specific credits outstanding?

THE WITNESS: No, none, including the Governor's, was even mentioned. As far as specific items, I knew that there were some loans that had to be worked on. They did not talk about who. They just gave me a general picture, or I would have asked the question.

BY MR. COLE:

Q Mr. Ritter, in the instances where you contacted either Bill Clinton or Hillary Rodham Clinton to obtain financial statements, did they ever express any reluctance to give you those statements?

A No, I don't think that that would have ever been the case. As I said before, it was a matter of

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yes, we will get that to you right away, and then three weeks later you have to follow up again.

MR. NAPPI: Do you have any specific recollections of any discussions regarding delinquent financial statements?

THE WITNESS: Yes, but I'm not sure whether it was with the Clintons or the McDougals. I remember having many discussions regarding delinquent financial statements, yes.

BY MR. COLE:

Q Focusing on the financial statements of the Clintons, Mr. Ritter, were those financial statements something that you needed to look at in order to make a decision as to what action you would take with respect to the loan or was that something you merely needed to complete your loan file?

A It was to complete the loan file. The decision to make the loan had already been made.

Q By "make the loan," I also mean to extend the loan.

A Same thing. It was not a requirement that would preclude us from extending the loan.

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MR. NAPPI: Could it affect your decision to extend the loan?

THE WITNESS: It might have, but I didn't -- I guess maybe in those days we were more of an asset lender in some cases where we had a piece of real estate that supposedly had a lot of value based on some method, and I'm not sure what it was, but at least had value to cover the loan. A lot of times in those days many of the baby boomers, if you will, felt that land never goes down in value. So, I think the general thinking was a piece of land is a piece of land.

There were some on the board that were more conservative, that said I don't care what kind of land it is, it is only worth what it will feed out, $50 an acre is all you can feed cattle on, that is all it is worth.

Some of the board members were not into exaggerated land prices based on somebody moving from Chicago down to Arkansas, and there were a few still that said that here is a good value because when you chunk it out, it is going to be this many dollars

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versus the full price on 100 acres at $1200 an acre and we will end up with $5000 an acre because we are going to chunk it out.

So, that type of thinking went on as it related to land values. Because of that, I believe that the financial statements were more to please the regulators and give us an overview as to -- if I had found something extremely negative on a financial statement, would I have tried to do something or have done something about it? Probably. I may have gone to the board and said, here, I don't think this is quite right, maybe we need to think about doing something a little differently. I don't remember that occurring.

BY MR. COLE:

Q In terms of factors you were looking to when you evaluated this loan, if you split it in three pieces -- and you tell me if this is not the correct way to look at it -- but one would be the asset itself.

A That's correct.

Q And another would be the creditworthiness

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of the McDougals, and then the third being the creditworthiness of the Clintons.

A That's correct. And one more.

Q What is the fourth one?

A The character.

Q I included that in both the Clintons and McDougals. Can you rank those in terms of importance to you?

A Probably the character is more important than anything else. The second would probably be the ability to repay. However, exceptions get made in that particular situation, and the collateral value or the secondary collateral value would be the last. That would be the fallback position.

So -- however, I'm not sure that applies to everybody in their thinking. I'm not sure it totally applied to my thinking in those days. I might have leaned a little stronger on the collateral.

But I guess primarily I was saying that the character of the individuals here, we don't have a problem with that, as far as I knew. Next is the value of the land might be sufficient to cover it,

and third, the ability to repay appeared to be impaired somewhat.

Now, to put things in a proper perspective, the loan to the Clintons and McDougals was not the most important thing on my mind in those days.

Q That was going to be my next question, actually, whether you had other loans that were more serious problems for the bank.

A Right. Not only did I have that, but being a brand-new CEO, recently an EVP at a different location and not having had total experience before, I had my hands full not only with people problems but other loan problems, and then once the usury rate had been lifted, I had about 1500 people all down my neck at one time because they decided to rewrite that whole portfolio. I was not exactly the superhero of Flippin.

MR. COLE: I can imagine.

I don't have anything further.

MR. IVEY: No questions from me.

MR. COLE: Thank you very much, Mr. Ritter.



MR. NAPPI: We really appreciate it.

(Whereupon, at 11:20 a.m., the deposition was concluded.)

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ROBERT RITTER

I, BRENDA M. SMONSKEY, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Brenda Smonskey

Notary Public in and for the
District of Columbia

My Commission Expires SEPTEMBER 14, 1996

DEPONENT _____

**ERRATA**

| PAGE | LINE | CHANGE FROM | CHANGE TO | REASON |
|---|---|---|---|---|
| 6 | 15 | 1979 | 1980 | I was wrong |
| 31 | 5 | Right | INe Month | I was wrong on date |
| 32 | 16 | OF deed | of mortgage | wrong Term |
| 46 | 12 | ON The | one of the | if I did not say this I should have |
| 49 | 11 | 79 | 80 | I was wrong on date |
| 49 | 12 | 80 | 81 | " |
| 55 | 14 | '79 | '80 | " |
| 55 | 18 | '80 | '81 | " |
| 55 | 19 | '80 | '81 | " |
| 67 | 9 | Fmaily Wade - or | Estate | Not Needed |
| 69 | 18 | Through | To | More correct |
| 96 | 16 | Wehad | we were | " |
| 101 | 18 | '78 | '79 | " |
| 111 | 15 | They | We | More Correct |
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# DEPOSITION OF W. MAURICE SMITH, JR. IN RE: S. RES. 120

**TUESDAY, APRIL 23, 1996**

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER
DEVELOPMENT CORPORATION AND RELATED MATTERS,
*Washington, DC.*

Telephone deposition of W. MAURICE SMITH, JR., called for examination pursuant to notice of deposition, at 9:17 a.m. in Room 640–A of the Hart Senate Office Building, before CARMEN BUNCH, a Notary Public within and for the District of Columbia, when were present:

H. CHRISTOPHER BARTOLOMUCCI, ESQ.
Majority Associate Special Counsel
MARK J. BRENNER, ESQ.
Majority Assistant Special Counsel
NEAL E. KRAVITZ, ESQ.
Minority Principal Deputy Special Counsel
JAMES S. PORTNOY, ESQ.
Minority Associate Special Counsel
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Building
Washington, DC 20510
On behalf of the Committee.

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PROCEEDINGS

MR. BARTOLOMUCCI: There is some preliminary information I have to impart to you for the record. This is a deposition conducted pursuant to Senate Resolution 120, which establishes a Special Committee administered by the Banking Committee to conduct an investigation of, among other things, Madison Guaranty and Whitewater Development Corporation.

This deposition is in advance of public hearings, and depending upon your testimony, it may or may not be necessary to call you to testify here in Washington.

I'll be putting the questions to you under oath. I'll have the court reporter swear you in before I begin any questions. If you don't understand the question or you didn't hear me, please let me know and I'll restate it or rephrase it for you. And again, let me know at any time if you need a break or you want us to pause.

MR. SMITH: Okay.

MR. BARTOLOMUCCI: Our court reporter is

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going to prepare a record of the questions I ask and your answers, and we're going to treat that as confidential until the commencement of any hearings. And prior to the hearings, you will receive an opportunity to review the transcript of this deposition so that you can make note of any minor corrections to the deposition.

Also, if you're called to testify at a public hearing, Mr. Smith, we will make sure that you have a copy of your deposition hopefully four days in advance of such a hearing.

You've told me already you're not represented by counsel. I'll just tell you for the record that objections to the forms of questions will be noted upon our record and it's also permissible to object on grounds of privilege or scope.

Ultimately the Committee chairman here, Senator D'Amato, may rule on objections if you refuse to answer a question. I'm going to ask our court reporter to swear you in now; okay.

MR. SMITH: Okay.

Whereupon,

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W. MAURICE SMITH, JR.
was called as a witness and, having first been duly sworn, was examined and testified as follows:
MR. BARTOLOMUCCI: We're going to pause for a second and go off the record.
MR. KRAVITZ: I would like this to be on the record.
MR. BARTOLOMUCCI: Okay. It's on the record.
MR. KRAVITZ: Mr. Smith, this is Neal Kravitz, one of the lawyers on the Democratic staff. One thing I just wanted to tell you was, I don't know whether you've had a chance to see a copy of the Senate resolution that Mr. Bartolomucci mentioned when he was speaking a few minutes ago, Senate Resolution 120.
THE WITNESS: No, I have not.
MR. KRAVITZ: You have not?
THE WITNESS: No.
MR. KRAVITZ: If you were to see the resolution, you would see that what the Senate did in this resolution was to lay out in some detail the

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subject matter that the Special Committee is authorized to investigate. Mr. Bartolomucci mentioned that objections can be made to the scope of questions.
One thing that may arise, I hope it doesn't, but one thing that may arise during the course of this deposition is that one of the lawyers on either side may ask a question that lawyers on the other side think is outside the scope of the subject matter authorized for investigation by the Senate resolution.
If that happens, someone here may object to the question. And what I would ask you to do is if that happens, is please wait to answer the question until we have resolved our discussion here.
THE WITNESS: Okay.
MR. KRAVITZ: And then if the resolution is that you should answer the question, we will tell you that and if the decision is that you should not answer the question, we will tell you that.
THE WITNESS: Okay.
MR. BARTOLOMUCCI: The only thing I would

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add to that, Mr. Smith -- this is Chris Bartolomucci again -- and I think I mentioned this, it's the Committee chairman who ultimately rules upon objections. And if you refuse to answer a question, you may be ordered by the Chairman or the committee to answer it either in another deposition or at a hearing, just so you know.

THE WITNESS: Okay.

MR. BARTOLOMUCCI: Anything else, guys? Okay.

EXAMINATION

BY MR. BARTOLOMUCCI:

Q Would you please give us your full name for the record?

A William Maurice Smith, Jr.

Q Can you quickly give us your educational background, college or later education?

A I have a bachelor's of science in

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agriculture from University of Arkansas at Fayetteville, Arkansas.

Q And are you presently employed?

A I'm a farmer, self-employed farmer.

Q Do you go by any nicknames?

A Nicknames?

Q Yes.

A No.

Q How long have you known President Clinton?

A Since 1976.

Q And when did you first work for Bill Clinton or in the governor's administration?

A Well, I worked as a legislative liaison in 1979.

Q How long did you hold that post?

A About three months, just while the legislature was in session.

Q Can you tell me what role you had during Clinton's 1992 campaign for governor -- 1982, rather?

A Yeah, I was finance chairman.

Q You said finance chairman?

A Right.

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Q And you assumed a post within the governor's office after the '82 election; right?
A Right.
Q What position was that?
A It was executive secretary.
Q What were your duties as executive secretary, just speaking generally?
A Generally, just I would call it kind of -- I don't know, help run the office and help with the departments, boards and commissions.
Q Did you have any other particular duties other than helping with the appointments to commissions and the like?
A I helped run the office, too.
Q Did you report directly to the governor?
A Yes, right.
Q And can you tell me what role you played during the 1984 gubernatorial campaign?
A I was in the office. I did not work on the campaign.
Q So you remained at the executive secretary post?

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A Right.
Q Now, at some point Governor Clinton named you to the University of Arkansas board of trustees; is that right?
A That's right.
Q And am I right that that was March of 1985?
A Sounds about right.
Q After that appointment, did you ever again work for the governor?
A No.
Q But there did come a time, right, when you were made the director of the Arkansas Highway and Transportation Department?
A Right.
Q Can you tell me what year you were appointed to that post?
A It was January of 1989 -- no, '88.
Q January of 1988?
A Yes.
Q And you were appointed to that post by Governor Clinton?
A No, I was appointed by the State Highway

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Commission, a five-member commission that hired me.
Q You said that was a five-member commission?
A Right.
Q Are you saying that Governor Clinton was uninvolved in your appointment to that post?
A Yeah. He doesn't make the appointments of the highway director. I was the highway director.
Q Does the governor have any involvement at all in making those decisions?
A The governor is on the commission, but they appoint a commission every two years.
Q And how long is the term of the director of the Highway and Transportation Department?
A The director of the highway department serves at the pleasure of the commission.
Q So you're saying it's for an unlimited term?
A It's a paid -- I was the director -- I ran the whole department.
Q Okay. How long did you serve in that post?
A I served until December 31, 1993.
Q That was December of '93?

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A Yes.
Q Did you have any role in Clinton's 1992 campaign for the Presidency?
A No.
Q Can you describe for me your relationship with Jim McDougal?
A I've known Jim McDougal since he worked for Senator Bill Fulbright back when he was first in his office here in Little Rock.
Q Can you tell us what year that was?
A I don't know. It was many years ago.
Q Did you ever work together in the same office or nearby offices?
A He was in the governor's office when I was legislative liaison that three months.
Q And do you also know Susan McDougal?
A Yeah, I know her.
Q How would you describe your relationship with Mrs. Clinton?
A Mrs. Clinton?
Q Yes.
A I get along very well with Mrs. Clinton.

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I've known her as long as I have her husband.
Q And I'm also correct, aren't I, that you either were or are the owner of the Bank of Cherry Valley?
A I was. I don't own it anymore.
Q Can you tell us roughly what years you owned the bank?
A I mean, I didn't own it. I was a majority stockholder in it, let's put it that way.
Q During what years were you the majority stockholder?
A Oh, up until we sold it in '93, I guess.
Q Up until '93?
A Yeah.
Q And you would have been the majority stockholder during the 1980s?
A Yeah, right.
Q Am I right that Cherry Valley is about 100 miles northeast of Little Rock?
A Yeah.
Q Can you tell me what the bank's lending area was?

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A What do you mean what the lending area was?
Q Well, was there a particular area --
A At least part of it was within a 30-mile radius but we had that along with other areas there.
Q Was there some internal bank rule or Arkansas law that dictated a specific area in which most loans had to be made or all the loans?
A Well, it wasn't a law but it was kind of a rule that they would be -- we made most of the loans in that immediate area in, like I said, about a 30-mile radius.
Q Did the bank have any particular limit on loans to individuals?
A Well, yeah, they were -- at that time, I think the limit was about $300,000.
Q And do you have any sense of what the extent of the bank's assets were during the 1980s?
A What now?
Q Do you recall what the size of the bank's assets were during the 1980s?
A I don't know exactly what you mean.

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Q Well, I mean the amount of its deposits, its ability to lend.
A It was about in the range of 15 to $18 million.
Q Did Governor Clinton bank at the Cherry Valley Bank?
A Well, we had his campaign funds at the Bank of Cherry Valley, yeah.
Q So his campaign account was at the bank?
A Right.
Q And did the Bank of Cherry Valley also make loans to the campaign?
A Yeah.
MR. KRAVITZ: Which campaign are we talking about here, Chris?
MR. BARTOLOMUCCI: I was asking generally.
BY MR. BARTOLOMUCCI:
Q I've read that your bank, the Bank of Cherry Valley, made approximately $400,000 in loans to Bill Clinton during the 1980s. That was a claim attributed to you. Is that accurate?
MR. KRAVITZ: Mr. Smith, hold on one

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second. Mr. Smith, this is Neal Kravitz from the Democratic staff.
Mr. Bartolomucci, I'm going to object to that question. If you want to ask questions that are specifically related to subjects that are set forth in the resolution we're operating under, you will receive no objection from this side of the table. But if you are simply going to ask questions about loans that Mr. Smith is reported to have made to Governor Clinton over a long period of time that have no direct relationship to anything in the resolution, I am going to object.
MR. BARTOLOMUCCI: Well, I have to disagree if you're contending that that particular question calls for an answer outside of the resolution. As you must know, the Bank of Cherry Valley both made a loan to Jim McDougal that was directly related to Whitewater, and also McDougal hosted at Madison in 1985 a fund-raiser to pay off a debt that Governor Clinton had incurred at the Bank of Cherry Valley. That loan was apparently approved by Mr. Smith. To explore those issues and related issues, it's

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necessary to get a full picture of the relationship between Mr. Clinton and Mr. Smith and President Clinton's -- or then-Governor Clinton's banking activities at the Bank of Cherry Valley.

MR. KRAVITZ: Well, that's not going to happen. If you want to ask Mr. Smith the question whether he made a loan to Governor Clinton of $50,000 in 1984 to assist Governor Clinton's re-election campaign, you can ask him that question. If you then want to ask him some questions about a 1985 fund-raiser that may have had some relation to repaying that loan, you can ask those questions within some limits, but if you have any intention of asking Mr. Smith about $400,000 worth of loans that were made to Governor Clinton or which have been alleged to have been made to Governor Clinton to support legislative initiatives during the 1980s while Bill Clinton was in the governor's position, you can't ask him those questions, and I'm going to object and instruct Mr. Smith not to answer those questions.

MR. BARTOLOMUCCI: Again, I think those

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questions are entirely proper. I don't see how you can ask questions, for example, to Jean Lewis about a personal letter that she wrote prior to her assignment of the Madison case and think that's within the resolution and think that a question about the Bank of Cherry Valley's lending activities with respect to Bill Clinton is outside of it. In both cases, it would go to the nature of their relationship.

We're investigating not only -- I mean the specific transactions at issue but also how they fit into the broader web of relationships. If there is some relationship between the $400,000 loans and the Whitewater loan or the '85 fund-raiser, that's plainly within the scope of our inquiry.

MR. KRAVITZ: If you want to ask questions about Whitewater loans, you're free to ask questions about Whitewater loans. I have no objection to your asking questions about Whitewater loans. And if I implied that I did, I didn't mean to. I don't think I implied that, but if I did, I have no objection to your asking questions about that because that is

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directly within the scope of our resolution.
What I do object to and what I will not allow you to do is to ask questions about loans that have nothing to do with Whitewater and that were taken out to assist Governor Clinton's legislative initiatives during his terms as governor.
MR. BARTOLOMUCCI: Neil, we don't know that they have nothing to do with Whitewater. It's entirely possible that they were connected in a way that we don't know about at this point. That's the purpose of this deposition. And I'll remind you that the resolution authorizes us to investigate all matters that have any tendency to reveal the full facts about Madison or Whitewater. And I have to say that the lending activities of the Cherry Valley Bank, that would have a tendency to reveal the full facts about Madison or Whitewater, and I don't see how you could contend otherwise.
MR. KRAVITZ: Why don't you try to ask more pointed questions and why don't we see if we can get something done here rather than taking up Mr. Smith's time unnecessarily.

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MR. BARTOLOMUCCI: Well, but first I want to see if he will confirm for our record a statement attributed to him in the press, and I can produce the articles if necessary, to the effect that the Bank of Cherry Valley during the 1980s made approximately $400,000 in loans to Bill Clinton, both for campaigns and to support legislative initiatives. I mean are you really going to object to a question that goes to something he's been quoted as saying in the press?
MR. KRAVITZ: Well, let me just say this. Just because someone has said something in the press --
THE WITNESS: Let me say something, will you?
MR. KRAVITZ: Go ahead.
THE WITNESS: I've been quoted in the press so damn many times and none of it has been accurate. That $400,000 deal was something that that guy just wrote. I didn't ever quote it, never said that he had $400,000 in loans. That guy just kept fishing around and carrying around and he wrote his own damn article. I don't care who they attributed it to. 95

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percent of the quotes they have had of me have been 100 percent -- 95 percent of them have been wrong, so I did not say that.

MR. BARTOLOMUCCI: So in light of that statement, can I clarify this?

MR. KRAVITZ: Let me just say, Mr. Smith, I sympathize with you since it's certainly been our experience here that the press is not always accurate on everything, but let me just say, just because something has been in the press or just because someone has written a book about something doesn't mean that the Senate is authorized to investigate that.

You will agree with that, won't you, Chris?

MR. BARTOLOMUCCI: Well, I think --

MR. KRAVITZ: If we don't have agreement on that, then we're really in trouble here. Why don't you try to ask -- let me just say this. I mean I think that your point about Jean Lewis, although -- I think in some respects was a good point. I think that it's fair to ask questions that will establish

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the personal relationships or the business relationships in a general way between a witness and a subject of the investigation. And I think that's a good point.

Now, if you want to ask very general questions that will go to that point, I think we can take it to a certain extent. I'm not going to allow you to get into any details about loans that may or may not have been made for legislative initiatives.

MR. BARTOLOMUCCI: Well, I think at the level of generality I posed it, that it was entirely appropriate. It wasn't going into specific detail about non-Whitewater loans.

MR. KRAVITZ: Why don't we try to go ahead in that vein.

BY MR. BARTOLOMUCCI:

Q In light of the statement that you've made, Mr. Smith, let me try to just clarify this. Are you saying it's inaccurate that the Bank of Cherry Valley loaned approximately $400,000 to Governor Clinton during the 1980s?

A I'm not going to say what -- I don't know.

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I don't have the records with me. I don't know. We made several loans to him, but I don't know what the amount was.

Q Okay. So the part that would be inaccurate is not the fact of the loans but the $400,000 figure?

A Yeah.

Q And is it also --

A I mean I didn't say that. I don't know whether that's accurate or not. I don't have those records with me.

Q Again, I just read that in the press, that you were quoted to that effect.

A I read that, too.

Q But the 400,000 figure isn't true?

A As far as I know, it's not true.

Q What about the part of the story that some of the money went to support legislative initiatives? Is that also incorrect?

A Can I answer that or not?

MR. PORTNOY: Just a moment, Mr. Smith. I think we need to confer for a moment.

(Pause.)

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THE WITNESS: I'm going to take a rest while you're deciding that. I'll be right back.

(Discussion off the record.)

MR. PORTNOY: If I can state for the record, Mr. Smith, the folks here have discussed the matter while we were off the record and we've agreed that we will have no objection to your responding to Mr. Bartolomucci's question as to whether you know the purpose to which those loans were put.

BY MR. BARTOLOMUCCI:

Q Right. So there's just one more question here, which is, is it true that some of the loan money that the Bank of Cherry Valley gave to Governor Clinton went to support the governor's legislative initiatives?

A On the education, I think that's true.

Q All right. Turning to a new subject, can you tell me when you first learned about Whitewater Development Corporation or the Whitewater land investment?

A I have no idea.

Q What do you remember generally speaking

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about Whitewater?
A I guess most of it started about the time you all started talking about it, the campaign somewhere.
Q Have you had any discussions with Jim McDougal about Whitewater to the best of your recollection?
A No.
Q Have you had any discussions about Whitewater with Bill Clinton?
A No.
Q Okay. Turning your attention to the Bank of Cherry Valley, we understand that in June of 1980, Mr. McDougal borrowed $20,000 from the Bank of Cherry Valley. Do you have some familiarity with that loan?
A I remember him having a loan there. I don't know exactly what it was, but that may be right.
Q Do you remember how this loan came about?
A We just loaned it to Jim McDougal, that's all I know.
Q Do you remember what the loan was for?

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A No, I don't.
Q Do you remember if this loan went through the usual loan approval process?
A Yeah, as far as I recollect, yeah.
Q Did you have to sign off on the loan at some point?
A Yeah.
Q Were you aware of the fact that this loan was related to Whitewater?
A No, and I started to say, I didn't know anything about Whitewater at the time.
Q Didn't you have some -- didn't you have any discussions with Mr. McDougal about the purpose of the loan?
A He just told me he needed to borrow $20,000 to make a payment on something. I didn't -- as far as I knew, I didn't know what it was.
Q Do you remember Governor Clinton being involved in the loan at all?
A No.
Q Do you remember the loan being refinanced several times?

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A Yes.
Q Do you remember --
A As I recall, it took him quite a while to pay it off.
Q As we understand it, it may not have been paid off until January of '85. Is that consistent with your recollection?
A As far as I know. Dates back there don't mean anything to me, but I know it was over a period of time. I don't know what time period, period of time it was.
Q Several years?
A I think that's true.
Q Do you recall Governor Clinton being involved in any of the refinancings?
A No.
Q I just say this because I'm not trying to hide anything from you, we have a document from April of '82 where the loan was refinanced which appears to have Bill Clinton's signature on it.
A If it did, I don't recall it.
Q And you don't remember talking to Bill

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Clinton about the loan?
A You just asked me if I remembered it; right?
Q Yes.
A I said I do not remember Bill Clinton's signature being on it.
Q Okay. In the future, just for the benefit of our court reporter, can you make sure before you give your answer that I've finished speaking completely?
A Well, I'll try.
Q Okay. We appreciate that. You know, we got this funny looking contraption here, this speakerphone, and sometimes it's hard to hear your answer.
A Okay.
Q Thank you. Would this loan to McDougal have been an out-of-territory loan?
A Certainly out of 30 miles, yeah, but he was the only one we ever had out of that area.
Q Would that have been problematic for the bank, the fact that it was out of the 30-mile zone?

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A It would have been if we had had a lot of them that way, but we never had a whole lot of them that way.
Q Do you recall whether the Clintons ever made any payments on this loan?
A No.
Q Do you know who made the payments?
A As far as I know, I guess McDougal did. I just don't know. I wasn't there every day, I wasn't in there for the everyday operation of that bank.
Q Another Bank of Cherry Valley document that we have and are interested in is a personal financial statement from the governor and Mrs. Clinton. It's dated April of '83. And it mentions the Whitewater investment actually among, you know, the assets.
Do you have any memory of this financial statement?
A No. I know he had one, but what was on it, I don't recall.
Q Do you know why he would have prepared a financial statement in April of '83 for the Cherry Valley Bank?

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A I guess he needed to borrow some money.
Q But this wouldn't have been a Whitewater-related loan; right?
A No.
Q This would have been some unrelated loan?
A It would have been -- yeah, right.
Q Do you have any idea why that financial statement would have been submitted to the Security Bank of Paragould in connection with a loan that Governor Clinton took out there?
A No, I wouldn't.
Q You don't have any knowledge about that Security Bank loan?
A No.
Q Do you think that you would have reviewed that financial statement?
A Do what?
Q Do you think that you would have reviewed that financial statement when it was submitted to your bank?
A Yeah, me and the rest of the board, too. Yeah.

Q Again, the financial statement lists the Clintons as owners in a half interest in 200 acres in Marion County with a $200,000 mortgage on it, which -- that's presumably the Whitewater investment.

A Yeah.

Q Does that trigger any memory on your part?

A Not a bit.

MR. KRAVITZ: Chris, I know Mr. Smith doesn't have a copy of the document that you're referring to, but just for the record, can you tell us what the document is and how it's numbered?

MR. BARTOLOMUCCI: Sure. What I'm talking about is a two-page document, it's labeled "Personal Financial Statement, Bill Clinton and Hillary Rodham Clinton," addressed to the Bank of Cherry Valley, dated April 25, '83. And on the second page, it's got -- it lists this, "200 acres Marion," lists that as having a $200,000 mortgage and a present value of 200,000. There doesn't appear to be a Bates number on the document, though. At the top there appears to be 06-6041. That may be some bank notation, but I'd



be happy to show this to you if you're interested in it.

MR. KRAVITZ: Can you tell us what agency produced that, or what person?

MR. BARTOLOMUCCI: No, I can't tell you. We can probably figure it out later if that's important.

MR. KRAVITZ: Okay. I mean just -- Mr. Smith, this is Neal Kravitz again. Let me just say one thing for the record. Because of mechanics of this deposition, unfortunately you're at a little bit of a disadvantage than some other witnesses are, because oftentimes if a witness doesn't remember something that happened 13 years before, we can show a document and that sometimes helps to refresh their memory, but obviously over the telephone we can't show you documents, so all we can ask is that you tell us what you remember.

BY MR. BARTOLOMUCCI:

Q Right. And where possible, I'll try to describe documents and see if that aids your memory, but at all events, we're just looking for your best

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recollection.
A Yeah, I understand.
Q Okay. Moving on now to a new subject matter, what do you recall of the circumstances surrounding the $50,000 loan that Governor Clinton took out prior to the 1984 gubernatorial campaign?
A What do you mean what do I recall about it?
Q Well, first of all, you remember that loan generally?
A Well, not that particular one. He took out loans during campaigns. I don't recall anything particular about that loan.
Q I mean, do you have any reason to doubt that --
A I have no reason to doubt it. If you're looking at the loans, I guess you know what they are.
Q Do you remember whether the governor approached you about making the loan or how it came to be?
A Well, yeah. I mean he had to approach me if he got it, I imagine.

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Q All right. So in --
MR. PORTNOY: Mr. Smith, if I could, I believe Mr. Bartolomucci was asking whether he approached you personally as opposed to approached the bank, and it wasn't clear to me whether that was understood in connection with your response.
THE WITNESS: I don't recall whether he did personally or not. It could have been the campaign, whoever was running the campaign.
MR. PORTNOY: So are you saying, sir, that you don't actually recall who approached whom and when that might have occurred?
THE WITNESS: Right.
BY MR. BARTOLOMUCCI:
Q Well, since you don't seem to have a great deal of memory about this particular loan, let me ask you this just very broad question. What do you remember about a $50,000 loan that Clinton received prior to the '84 campaign?
A I'll answer you just as broad. I don't remember anything about it.
Q Do you know whether the loan was secured?

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A Probably by his financial statement is all they would have done, I imagine.
Q Do you remember the governor submitting a financial statement in connection with the loan?
A I don't -- on that, I don't remember, but ordinarily they would have to submit some kind of financial statement. We would have to have some kind of backing.
Q Did you say that ordinarily you would have to submit one?
A Yeah.
Q Do you know when the loan would have been due?
A No, I don't.
Q And I take it that you did expect the governor to pay this loan off?
A That's right.
Q Do you know what the loan was used for?
A I'm sure he used it in his campaign.
Q But do you know in what way it was used in the campaign?
A I have no idea. I told you, I wasn't

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involved in the campaign.
Q Because you were still in the executive secretary at the time?
A I was still in the governor's office, right.
Q Do you remember having any communications with Clinton about this loan?
A No, I don't remember.
Q All right. Now, do you remember there being a fund-raiser held at Madison Guaranty to pay off this loan?
A I remember them having a fund-raiser.
Q Okay. We understand that fund-raiser to have occurred on April 4, 1985. Does that date sound right to you?
A That sounds about right.
Q Did you play any role in organizing that fund-raiser?
A No.
Q But you were aware that the purpose of the fund-raiser was to pay off the loan at Cherry Valley?
A No.

Q Your testimony is that you don't remember that being the purpose?
A No.
MR. PORTNOY: Just for the record, Chris, I don't believe that the testimony that the committee has taken heretofore establishes that that was the purpose of the fund-raiser. I believe that's a matter of some contention, and I just don't want the record to appear to be establishing something that is in fact in dispute.
MR. BARTOLOMUCCI: In light of that, let me rephrase the question this way.
BY MR. BARTOLOMUCCI:
Q Do you know if one of the purposes of that Madison fund-raiser was to pay off the governor's debt at the Cherry Valley Bank?
A I do not know that, no.
Q Did you attend the fund-raiser?
A Yes.
Q You did. Did you make a donation?
A No.
Q Was there any reason why you didn't make a



donation?
A Well, I was just invited there. I went there and brought the money back to the campaign.
Q Oh, you brought -- did you say you brought the money back to the campaign?
A Correct.
Q Which is to say you collected the checks and --
A I didn't collect them, but they gave the checks to me and I brought them back.
Q You took them where?
A I brought it back to give to the campaign.
Q Do you know what person you would have given them to?
A I don't know exactly, but I would imagine it would have been Betsey Wright.
Q Was Betsey Wright at the fund-raiser?
A Not that I recall. She may have been. I don't remember seeing her there.
Q Do you remember who gave you the checks?
A McDougal.
Q McDougal. Do you remember whether you

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encouraged anyone to come to the fund-raiser or to make donations at it?
A I did not.
Q Do you know Charles Peacock?
A I met him at that fund-raiser.
Q Did you know him -- you didn't know him before the fund-raiser?
A No.
Q And you didn't encourage him to come to the fund-raiser?
A I did not.
Q Did Charles Peacock give you any checks?
A Well, he says he did, so I guess he did.
Q Well, let me ask you what you remember.
A I remember seeing Charles Peacock there because I knew his brother. His brother was a member of the legislature. He introduced himself and said he was a Republican. That's all I remember about him. I didn't know any of the other people there except McDougal.
Q Was it your memory that Charles Peacock made a donation?

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A I'm sure he did. I guess that's the reason he was there.
Q We have in our possession a copy of a check apparently obtained at the fund-raiser bearing the name Ken Peacock. Do you know who Ken Peacock is?
A No. Well, I read in the paper, I guess that's his son; right?
Q That's what Charles tells us. Do you know if Ken Peacock was at the fund-raiser?
A I don't know.
Q One question I had, you were appointed to the board of trustees at UA in March of '85?
A Yeah.
Q Would you have assumed that post by April?
A Yes.
Q Okay. So then if the fund-raiser was on April 4, '85, you were no longer working in the governor's office?
A Correct.
Q So you just sort of unofficially handled the checks and gave them to the campaign?
A Yeah, that's right.

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MR. PORTNOY: Can we just clarify whether Mr. Smith is agreeing with the chronology as you've presented it or whether he actually recalls that he was already at the University of Arkansas?

BY MR. BARTOLOMUCCI:

Q Okay. That's a fair question. I mean, do you remember that during the time of the fund-raiser, you had left your post in the --

A I really don't recall. Just give me dates. I don't recall.

Q But you do remember that you went on the board of trustees in March of '85?

A Yeah, that spring, yeah.

Q And I have a press report that indicates that at least you were named to the post in March, so is it your memory that you joined the board soon after your appointment?

A To the best of my recollection. I just don't know what the dates were.

Q Do you remember feeling funny about being involved in the fund-raiser, given that you were out of the governor's office at that time?

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A Well, what do you mean, "feeling funny" about it?

Q Well, I mean isn't that a little odd that you were involved in this fund-raiser?

A McDougal was a friend of mine and he asked me to come down there and get the money and take it to the campaign, that's all.

Q Fair enough.

MR. KRAVITZ: Chris, you're not suggesting, are you, that someone who works for the university can't attend a political fund-raiser?

MR. BARTOLOMUCCI: No, I wasn't suggesting that. I just wanted to know what his impression or memory about it was.

BY MR. BARTOLOMUCCI:

Q Just a couple of general questions. Do you have any memory about how many people attended the fund-raiser?

A I don't, really don't.

Q Do you remember whether Clinton gave a speech?

A I don't even remember Clinton being there

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when I was there.
Q Did you talk to McDougal during the fund-raiser?
A Yeah. I think that's where I spent most of my time, was up in his office visiting with him.
Q Do you remember what you talked about?
A No. Nothing in particular.
Q Do you have any idea how much money was raised at the fund-raiser?
A I read -- I've forgotten how much it was, but I read somewhere some of you all said it was about $30,000 and some.
Q Well, disregarding what you may have read, do you have your own memory about how much was raised?
A From my memory, I don't remember. I just remember there were checks and I took them to the campaign.
Q Do you have any idea as to how many checks you were given?
A No.
Q Were there any cash contributions?

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A No, not that I recall.
Q Okay. So you recall only checks?
A Right.
Q I mean, did they all fit in one envelope?
A I don't know. I'm pretty sure they did, but I don't know that for sure.
Q Was it your understanding that you were given all the money raised in connection with the fund-raiser?
A I don't know that either.
Q Did you talk to Peacock at the fund-raiser, where he told you he was a Republican?
A Yeah, I met him. That's the first time I'd ever met him.
Q Do you remember him saying anything else to you?
A Not that I recall.
Q Do you remember if former Senator Fulbright was there?
A I didn't see him.
Q You didn't see him. Did you have any understanding about whether he was supposed to

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attend?
A I don't recall that I did. Like I say, I didn't see him.
Q So you weren't expecting him to be there?
A I didn't know who was going to be there. They didn't tell me he was going to be there.
Q Do you remember receiving a check for $3000 bearing Fulbright's name?
A I don't remember any of the names on any of the checks. I don't know whose checks they were.
Q And you said that you didn't make a donation; right?
A That's right.
Q Do you remember Jim Guy Tucker being at the fund-raiser?
A No.
Q No?
A I mean I don't remember him being there. I don't recall him being there when I was there. I don't know as I was there during the whole thing, but I was there.
Q What about John Latham?

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A I don't know John Latham.
Q Do you know anything about the allegation that Charles Peacock brought the check bearing his son Ken's name?
A No.
Q Do you know anything about the possibility that Peacock's contribution was funded by the proceeds of a Madison loan?
A No.
Q An attorney for Charles Peacock, a man named Greg Hopkins, has reportedly said that in exchange for campaign contributions, Clinton assured McDougal that a state agency was going to lease office space from Madison. Do you know anything about this allegation?
A No.
Q Could you repeat your answer, please?
A Nothing, no. I know nothing about it.
Q Do you know if the governor promised or offered to do anything for McDougal in exchange for hosting the fund-raiser?
A No, I do not.

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Q You never had any communications with the governor about that subject?
A No.
Q Do you know if McDougal asked for anything, asked for any favors for having hosted the fund-raiser?
A Not that I know of.
Q Have you had any discussions about the fund-raiser in which the subject of Madison leasing office space also came up?
A Absolutely not.
Q Do you know anything about the possibility that contributors were reimbursed for their donations?
A No.
Q Do you know if a man named Burt Dickey made a contribution at the fund-raiser?
A I do not.
Q Do you know Mr. Dickey?
A I know him, yes.
Q Do you know if he attended the fund-raiser?
A I don't recall if he was there. I don't

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recall. He may have been, but I don't recall.
Q Do you know if Ron Owens or Jim Barber were at the fund-raiser?
A I do not. I don't recall. The only man -- just to shorten this up, the only man that I recall that I knew that I met there was Charles Peacock, but I won't say I was there during the whole thing.
Q Do you know if any of the people who made contributions at the fund-raiser were promised state commissions?
A I do not.
Q Is there any connection in your mind between the fund-raiser and your appointment to the highway department post?
A Absolutely not.
Q Now, am I correct that the contributions received at the fund-raiser would have to be reported in some kind of document or form?
A They should have been.
Q And do you know who would have had responsibility for preparing such a form?
A I don't know. Whoever was doing that in

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the campaign, I guess.
Q Do you know whether a report was ever filed that covered the fund-raiser?
A I do not.
Q Have you ever discussed with anyone the possibility that the relevant campaign form is missing from the office where it should be filed?
A I do not -- I have not, no.
Q Now, we have a copy of a check for $25,000 made out to the Bank of Cherry Valley, a check written by the Bill Clinton Political Committee. We assume that that was to pay off the loan that the governor obtained from the '84 campaign. Are we correct in that assumption?
MR. KRAVITZ: Well, why don't you -- can you tell him what the date on the check is?
BY MR. BARTOLOMUCCI:
Q I meant to. It was May 7, '85.
MR. KRAVITZ: Mr. Smith, this is a question that may not be helpful for you. But just for the record, if you could identify the document.
BY MR. BARTOLOMUCCI:

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Q Yeah. Let me start with that. It's document number CCBW 0008. It's a May 7, 1985 check signed by Betsey Wright, for $25,000 and made payable to the Bill Clinton Political Committee.
Do you know if that check would have been made to pay down or pay off the loan on Governor Clinton -- pay off Governor Clinton's loan?
A Was it made to the Bank of Cherry Valley?
Q Can you say that again?
A Was it made to the Bank of Cherry Valley?
Q Yes, it was.
A I imagine that's what it was. I couldn't guarantee that, but I imagine that's what it was.
THE WITNESS: I'm going to call time; okay?
MR. BARTOLOMUCCI: We'll take a break. Just tell us when you're back.
(Recess.)
BY MR. BARTOLOMUCCI:
Q We're back on the record, Mr. Smith. Thanks for your patience. We were talking about the '85 fund-raiser and the related 1984 loan that

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Governor Clinton had at your bank. I think the issue I was trying to get at is whether the $25,000 payment to the Bank of Cherry Valley in May of '85, whether that would have paid off the loan entirely or whether there was still some debt outstanding after that.

A I really do not know.

Q I want to ask you to think hard. Can you remember the amount of the loan? I mean we believe it was $50,000.

A Well, that could be true. I don't remember those things. I don't have any records here with me.

Q Do you remember if the loan was partially paid off before the fund-raiser?

A I tell you, I don't know. I wasn't involved in running that campaign, so I don't know.

Q Well, now, just to refresh your recollection and make sure this is clear, the fund-raiser was in 1985 after the campaign.

A Yes.

Q It was to pay off a debt from the '84 campaign, so, you know, whether it was exclusively the campaign running the show there is a question.

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A What do you mean?

Q Well, let me just ask you this way. Do you know if the loan was ultimately paid in full?

A After some period, I'm sure it was.

Q Are you assuming that it was paid off or do you have a specific memory of it being paid off?

A I have no specific memory, no.

Q Now, with respect to the fund-raiser, do you know anything about donations having been made in the names of persons other than those who allegedly made the donations? That may be a little confusing. Let me rephrase that.

Do you know whether anyone secretly paid for donations in the name of someone else?

A No.

Q All right. And do you know whether anyone was given state jobs in exchange for contributions?

A No.

Q I want now to see what sort of conversations you may have had in recent years about these same subject matters. You told me that you didn't have any role during the 1992 presidential

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campaign; is that right?
A That's right.
Q During the '92 campaign, did you speak with anyone about Whitewater, Madison or the Bank of Cherry Valley?
A Nobody.
Q Did you speak with anyone during the '92 campaign about the fund-raiser?
A Nobody.
Q Okay. And you have no memory about talking about those subjects with Betsey Wright?
A Nobody.
Q Or Bruce Lindsey, Loretta Lynch?
A I don't know a Loretta Lynch.
Q What about Patsy Thomasson?
A No.
Q Did you ever provide any documents to the '92 campaign?
A No.
Q Were you asked to review any documents by the campaign?
A No.

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Q All right. After -- subsequent to the election, have you spoken with anyone at the White House about Whitewater or Madison or the Bank of Cherry Valley or the fund-raiser or any of that stuff?
A No.
Q Again, with respect to those subject matters, you never talked to Bruce Lindsey or anyone at the White House?
A No.
Q Do you know who Mr. Millium is?
A No. Do you want to tell me? I don't know him.
Q We don't know either. That's why I was asking. Have you talked to Bill Clinton since the election?
A Sure.
Q Have you talked about any subjects relating to Whitewater or Madison or the Bank of Cherry Valley?
A No.
Q Am I correct that you visited the White

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House in March of '94?
A That's probably true, yes.
Q You did visit the White House?
A I was at the White House, yes.
Q And on that occasion, you didn't have any discussions about Whitewater or Madison or the Bank of Cherry Valley?
A If we did, I don't recall it. If you all were investigating Whitewater at that time, I might have asked him how he was getting along, but that's about all. We didn't have any detailed discussion.
Q Have you ever been contacted by the press to discuss these matters, Madison or Whitewater or the Cherry Valley stuff?
A Oh, yeah, you read some of it.
Q Okay. But it was only press people who have contacted you and no one in the government?
A Nobody in the government.
MR. BARTOLOMUCCI: I think that's all the questions I have for you right now so we're going to turn it over to my colleagues here at the Senate, Mr. Kravitz and Mr. Portnoy, and then when they are

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finished, it will be Mr. Brenner's turn and then we will see if there's any follow-up stuff that needs to be done after that.
MR. PORTNOY: Mr. Smith, I apologize for the delay. This is Jim Portnoy. We're going to take about a minute or two to just confer and then we'll be right back with you, sir.
THE WITNESS: Okay.
(Recess.)
MR. KRAVITZ: Mr. Smith, are you there?
THE WITNESS: Yes.
EXAMINATION
BY MR. KRAVITZ:
Q This is Neal Kravitz on the Democratic staff. Just so you know exactly what we're doing here, I guess Mr. Bartolomucci for the Republican staff has finished his set of questions and now I'm going to ask you just a few follow-up questions on the same subjects and probably take no more than three or four minutes, and then I think the next Republican counsel will get to ask you some questions on some different subjects. Okay?

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A All right.
Q You were asked about a loan that Mr. McDougal took out at the Bank of Cherry Valley in 1980.
A Yes.
Q And as I recall your testimony, you stated that at least to your recollection, Bill Clinton had no involvement in the taking out of that loan; is that correct?
A That's correct.
Q To the best of your memory, did Hillary Clinton have any involvement in the taking out of that loan from the Bank of Cherry Valley in 1980 that Mr. McDougal took out?
A No.
Q You also testified that to your recollection, Mr. McDougal refinanced that loan that he had taken out in 1980 on several occasions, and I believe your testimony was that although Mr. Bartolomucci described the document to you that Bill Clinton had signed sometime, I think it was in 1983, you had no recollection of Bill Clinton being

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involved in any of those refinancings; is that correct?
A That's correct.
Q Do you have any recollection of Hillary Clinton having any involvement in the refinancings of that loan that Mr. McDougal originally took out in 1980 at the Bank of Cherry Valley?
A No, I have no recollection of that.
Q When Mr. Bartolomucci was asking you questions about the 1985 fund-raiser that you attended at the Madison Guaranty offices, he asked you a series of questions about whether you remembered being given a check that had Senator Fulbright's name on it, and I believe you testified that you did not remember receiving a check with Mr. Fulbright's name on it, and in fact you didn't remember any of the names that were on any of the checks that you were given that day; is that correct?
A That's right.
Q Let me ask you this. I mean, did you have any reason to study the checks that you were given to see who had made contributions or were you really

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just a messenger carrying the checks from the fund-raiser?
A I was just a messenger carrying them. I didn't have any reason to go through them.
Q And so is it your memory that you actually did not look at the checks to see who had given money?
A To the best of my recollection, I never looked at them.
Q Let me ask you a couple of questions about Jim McDougal. You testified you've known Mr. McDougal since the time that he was working for Senator Fulbright.
A Right.
Q So that was a long time ago.
A Right.
Q Mr. McDougal has been described to us as someone who is a big talker, a bragger, someone who brags a lot about his connections with politicians and other powerful people. Would you agree with that description?
A I'd say that's about the truth.

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Q You also testified that during the 1985 fund-raiser at Madison Guaranty Savings & Loan, you spent most of your time in Mr. McDougal's office speaking with him.
A Right.
Q Do you remember how long a time approximately you were with Mr. McDougal that day?
A I don't know. It's been so long ago, I don't know. I'd say I guess somewhere between 30 minutes and an hour.
Q And was it just the two of you talking?
A Yeah. We just really went up there to smoke a cigarette.
Q During any of that time that you spent with Mr. McDougal up in his office talking and smoking cigarettes together during the 1985 fund-raiser, did Mr. McDougal say anything to you to indicate that Bill Clinton had made any promises to him in return for Mr. McDougal's holding this fund-raiser?
A Not that I recall. Not that I recall.
MR. BARTOLOMUCCI: Your testimony was you don't recall?

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THE WITNESS: I do not recall, no. I do not recall anything like that.
MR. KRAVITZ: Mr. Smith, that's all I have at this point, so thank you.
MR. BRENNER: Just switching seats. It's Mark Brenner. How are you doing, Mr. Smith?
THE WITNESS: Fine.

EXAMINATION

BY MR. BRENNER:

Q I'm going to ask you about some areas that weren't previously covered. Can you hear me okay?
A Yeah.
Q Do you know Dan Lasater?
A Yeah.
Q When did you first meet Dan?
A Oh, I don't know what year it was. I've known him for quite a while.
Q Could you roughly -- since before, say, 1983?
A Oh, yes.
Q Sometime in the '70s?
A Yeah, probably. When he was racing horses,

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I used to go to the horse races.
Q And do you remember who you met him through or who introduced you?
A No, I don't.
Q Now, did you have a relationship with him as, say, a friendly relationship due to the horse farming?
A No, I just knew him because he had a horse farm out in Florida, and I've been down there to a couple of sales.
Q So you two raised horses?
A I did at that time. I don't anymore.
Q Did you know that Roger Clinton worked for Lasater at one of his horse farms?
A I recall something about that, but I don't know what he did.
Q Do you know Patsy Thomasson?
A Yes.
Q And how do you know Patsy Thomasson?
A Well, she was on the highway commission. I served on the Arkansas Highway Commission back in 1965 to '75, and when David Pryor became governor, he

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appointed her to the highway commission.
Q So you met her on the highway commission?
A Yes.
Q And were you on the highway commission at the same time as Patsy Thomasson?
A No, I had just gone off the highway commission when she came on.
Q So you met her at that point?
A Yes.
Q And so from 1975 through the 1980s, did you maintain contact with Patsy Thomasson?
A Yes, I knew her.
Q Were you friendly? Were you friends?
A Yeah, she's my friend.
Q Do you still talk to Patsy Thomasson?
A Yes, every once in a while.
Q Do you consider yourself friendly with Dan Lasater?
A I haven't seen Dan Lasater in years.
Q Have you talked to Dan Lasater in years?
A Haven't seen him since he got out of prison.

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Q And that was around 1986?
A I don't know what year that was. That sounds about right.
Q During the time you were at the governor's office in the 1980s, did you have anything to do with any bond underwriting issues?
A No.
Q I'm sorry. Could you repeat that?
A No, I didn't have anything to do with that.
Q Did you ever deal with any matters with Dan Lasater?
A No.
Q Did you ever go to the Lasater & Company offices?
A Back in those days, not that I recall. I could have, but not that I recall offhand.
Q Well, at any time.
A No, I don't believe -- I might have gone to pick up Patsy Thomasson for lunch or something like that. She worked for him, but that would be all.
Q And how often did you see Ms. Thomasson?
A Well, I'd see her every once in a while,

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maybe every month or so.
Q This is between the period, say, 1982 and 198 -- when you left the governor's office in or around March of 1985.
A Yeah.
Q Would you go, say, once every other week?
A No. About once a month or something like that.
Q About once a month?
A Yes.
Q Would you often go to her offices at Lasater & Company?
A Well, I may have gone there one time.
Q Did she usually come down to the capitol?
A I'd meet her at some restaurant or something like that.
Q Do you recall any conversations you had with Dan Lasater relating to any bonds?
A No.
Q Do you recall having any conversations with George -- Mr. Collins or Mr. Locke?
A No.

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Q Have you ever met Mr. Collins?
A Not that I know of. I know Locke, but I don't know -- I don't believe I've ever met Collins.
Q How do you know Locke?
A He used to be in the Arkansas Senate.
Q Did you ever speak to Mr. Collins, Mr. Locke, Mr. Lasater or Ms. Thomasson about any fund-raising activities?
A I don't recall. I might have talked to Patsy Thomasson about one.
Q Did you do any fund-raising for the governor?
A Did I?
Q Yes, sir.
A I helped with it.
Q Did you do any fund-raising for the governor with Mr. Lasater or any of his associates?
A No.
Q Did Mr. Lasater ever come to visit the governor that you recall in either the governor's office or the governor's mansion?
A I've seen him in the governor's office,

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yeah.
Q You seen him once or a couple of times?
A I don't recall exactly. Could have been once or twice.
Q May it have been more than once or twice?
A I don't think it's over a couple of times while I was there.
Q And how about Ms. Thomasson?
A She used to come by.
Q About how often would she come by?
A You know, she worked the legislature out there. When she was on the highway commission, she'd come by the governor's business and just visit.
Q I'm sorry. Could you speak up?
A I said she worked the legislature when she was on the highway commission. They were always lobbying for funds, and she would come by the governor's office to visit.
MR. PORTNOY: Can we specify, please, Mark, whether the times that Ms. Thomasson visited the governor's office were while she was working for the state or while she was working for Lasater.

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Mr. Smith, could you clarify for the record, please, if you know, whether Patsy Thomasson was working for Mr. Lasater when she visited the governor's office or whether she was working for the state?
THE WITNESS: Well, I couldn't tell you offhand. When she visited me in the governor's office, she always worked for the state.
MR. KRAVITZ: When he says he saw Lasater in the governor's office, does he mean in Bill Clinton's office or in the office of the governor?
BY MR. BRENNER:
Q When you saw Mr. Lasater, was he going to the governor's office in particular or the suite of governor's offices where say you worked and Ms. Wright worked?
A Well, I've seen him in the governor's office in particular.
Q I appreciate you clarifying that for the record. Did you ever sit in on any meetings with Mr. Lasater or any of his associates and the governor?

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A I could have.
Q Could you describe your relationship with Betsey Wright at the time that you worked in the governor's office?
A She and I worked together in there. I knew her -- I got along with her very well.
Q Did either of you answer to anyone other than the governor?
A No.
Q It's been described by certain individuals in testimony that Ms. Wright ran, say, the day-to-day operations of the governor's office and you were the person who was the outreach person who communicated with business people and who was more of a policy initiative person. Is that a fair characterization of the working relationship?
A That's fair.
Q Have you ever heard of the police radio network bond underwriting?
A Yes.
Q When do you remember hearing about that?
A Do you want a date?

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Q Roughly.
A Back in the '80s. I don't know what date.
Q I'm sorry. Could you repeat that?
A It was back in the '80s. I don't know what date it was.
Q I'm not trying to hide the ball. I just wanted to say that at this point I am looking for and am going to find a January 4, 1985 letter from Paul Young, Jr. Do you know who Paul Young is?
A No.
Q If I tell you that he at that time was working at T.J. Raney & Sons, would that refresh your recollection?
A I know what T.J. Raney & Sons is. I don't know him.
Q And it's addressed to David Moseley, but your name, M. Smith, is in the top right-hand corner. Now, I want to be clear for the record because --
A Well, come back again. I don't understand you now.
Q I'm sorry?

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A Tell me that again, what you're saying.
Q This is a letter that was addressed to Mr. David Moseley at the Arkansas State Police about the proposed acquisition of new radio communications equipment.
A Okay.
Q It appears that a copy of it was forwarded to the governor's office and that your first initial and name were written in handwriting by an individual, M. Smith, and then underlined, and that you probably received a copy of this letter. Is that a more clear description?
A You know, I don't recall. I don't recall those people, so I don't know.
Q Now, I want to clarify for another reason. There was an MAS who worked in the governor's office, the initials MAS.
A Yes.
Q That was a woman. Do you know who that was?
A MAS?
Q Mary Ann?

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A Mary Ann Salmon, S-a-l-m-o-n, I believe.
Q So when things were addressed to you in the governor's office, they were addressed to either M. Smith or Maurice Smith or MS?
A Yes.
Q I just want to be clear so as we go through our documents it's apparent to everybody which documents were addressed to you and which documents were addressed to other people.
A Okay.
Q This particular letter talks about T.J. Raney & Sons, Lasater & Company and E.F. Hutton wanting to be involved in the bond underwriting for the Arkansas State Police. Did you ever have any discussions related to the Arkansas State Police bond underwriting?
A Not that I recall. It's a possibility, but not that I recall.
Q Do you recall ever talking to Mr. Lasater or anyone from Collins, Locke & Lasater or Dick Morris about any bond underwriting?
MR. KRAVITZ: Any bond underwriting or for

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the police radio commission?
MR. BRENNER: Any bond underwriting.
THE WITNESS: I never talked to Dick Morris but I don't know whether -- I might have been in on a conversation with -- in a meeting with Lasater talking to Clinton about it. I didn't have any conversations about it. I never talked to Dick Morris about it.
BY MR. BRENNER:
Q There's a series of memos in the governor's office and scheduling that reflects that on January 10, 1985 there was a meeting at the Legacy Hotel. Do you know where the Legacy Hotel is?
A Do I know where it is?
Q Yes, sir.
A Yeah.
Q Where is it?
A Right down there across from the federal building.
Q Across from the federal building?
A Yes.
Q And the meeting it says, it says that

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the -- from the notes we have that the meeting was attended by E.F. Hutton representatives, Dan Lasater, and it's reflected on the governor's schedule of January 10 that at 6:00, that the governor and Betsey Wright and you attended this meeting at the Legacy Hotel.
Do you recall attending any meeting at the Legacy Hotel with Dan Lasater?
A I don't recall it but I could have, yeah. I'm not saying I didn't go. I just don't recall. When was that?
Q It was January 10, 1985.
A I don't recall.
Q Do you know what the Mount Hood Pension Fund was?
A Who?
Q Mount Hood Pension Fund.
A No.
Q There's a letter of December 14, 1983 written by Dan Lasater to the governor, and you are carbon copied. You were cc'd on the letter.
MR. KRAVITZ: Is there a Bates number on

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that?
BY MR. BRENNER:
Q The Bates numbers are DKSN 027455 and DKSN 027456. And there's a series of statements made in this, and in one of them it talks about "with regard to the personal securities owned by Mount Hood Pension Fund, National Investors Life Insurance and National Investors Pension Fund, we have been working hand in hand with their personnel toward an orderly sale of their holdings."
And apparently, Mr. Lasater and then Governor Clinton discussed that there's a rumor that First Boston and Stevens, Inc., would be appointed at the 1st of the year to consummate any future transactions in this portfolio.
Do you remember any discussions about any of those matters?
A I do not.
Q Do you recall attending any meetings where any discussions of such matters were discussed?
A I mean I never heard of it. I mean I probably heard of it, but I don't recall it.

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MR. KRAVITZ: Mr. Smith, if you just -- this is Neal Kravitz again. If you just bear with me a moment, I just need to make a brief comment on the record.
THE WITNESS: I need to take another break anyway.
MR. BARTOLOMUCCI: Why don't we do it off the record.
MR. KRAVITZ: I want to say something very briefly on the record. Mr. Brenner, I didn't object to that question initially because I assumed without knowing that the document that you were referring to, this letter itself, referred to an issue of a bond underwriting contract between Lasater & Company and the Arkansas Development Finance Authority or its predecessor agency. Had I known that the letter did not refer to such a contract, I would have objected. I don't think we need to have a big argument about it since the answer was what it was and you're moving on, but I just want the record to reflect that I would have objected had I known what the letter referred to at the time.

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MR. BRENNER: I would like to make a brief statement on the record myself, and I'll keep it short because I know it costs us per page. This was a document produced by David Kendall, in the files of the President and the First Lady. He decided it was relevant to our document subpoena; that I believe the Democrats agreed to.

Also, this letter talks about, for those people who don't have it in front of them, various appointments which we will also be discussing, but it certainly goes to the nature of relationship between Lasater & Company and the governor's office. And I'll read it for those of us who don't have it in front of them. I know Mr. Bartolomucci and I do. "That faced with the reality, we hope you will be able to take the initiative and strongly suggesting that Lasater & Company may be included with First Boston and Stevens Inc. as third comanager in this liquidation."

So it goes to the relationship between the governor's office and Lasater & Company, which I think is relevant to the resolution.

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MR. BARTOLOMUCCI: Off the record.

(Discussion off the record.)

BY MR. BRENNER:

Q We're back on the record. There were a couple of transactions in late January and later in 1985, Mr. Lasater was seeking certain bond work for the University of Arkansas. Did you deal with that at either the governor's office or when you went to the board at the University of Arkansas?

A I did not.

Q Did you ever have any meetings with Mr. Lasater about any bonds for the University of Arkansas?

A I did not.

Q That includes your tenure at the university?

A Right.

Q Okay. Just wanted to be clear.

A Right.

MR. PORTNOY: Off the record for a second.

(Discussion off the record.)

BY MR. BRENNER:

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Q Back on the record. Are you aware that Mr. Lasater was convicted of a crime on 12/18/1986?
A Convicted of what now?
Q A crime.
A Yeah. Well, I know he was convicted of dope of some kind.
Q Do you know any more about this?
A No. I mean, I know he went to prison.
Q And do you recall acting as a reference for a subsequent pardon by Governor Clinton?
A I could have.
Q You don't recall being approached about this or asked about this?
A I remember -- yeah. I don't remember -- I remember.
Q Do you know who Dr. Charles Logan is?
A No.
Q Do you know who Judge Lee Munson is?
A Lee Munson. He used to be a judge in Little Rock, I guess, but I don't know him.
Q Did you ever have any discussions with then-Governor Clinton about the pardon since your

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name was a reference?
A Could have, I don't know.
Q Could you repeat that?
A As I recall, he wanted to go duck hunting and he wanted to get a pardon to use his gun again.
Q But you don't recall the specifics?
A I do not, no.
MR. KRAVITZ: I'm not sure -- I think there may be a misunderstanding what the exact question was. I think the question was, Mr. Smith, whether you remembered speaking with Governor Clinton specifically about Mr. Lasater's pardon application.
THE WITNESS: You know, I could have. As I recall, he wanted -- he belonged to some duck club and he wanted to go duck hunting and he couldn't use a gun as long as he was on parole.
BY MR. BRENNER:
Q Mr. Lasater wanted to go duck hunting, but do you recall speaking to then Governor Clinton about it?
A I don't recall it offhand, but I may have.
Q Do you recall speaking to Betsey Wright or

anybody else from the governor's office?
A I don't know. I may have spoke to Clinton himself. I don't know. I recall the incident.
Q Did you ever help in any fund-raising activities for the governor that Mr. Lasater was involved in?
A No.
Q We have information that around 1984, Mr. Lasater raised approximately $50,000 for the governor's re-election. Are you familiar with any of that fund-raising?
A I remember he had one, yes.
Q You do remember he had one?
A Yes.
Q And do you remember if that was at Trapnall Hall, does that sound right to you?
A That's right. That sounds right.
Q Do you remember how many people were present?
A I don't know. It was a big crowd. I don't know how many was there.
Q At what point did you meet Web Hubbell?



A Well, I knew who he was for a long time. I never had anything to do with him.
Q Did you ever meet him related to any campaign work?
A No.
Q Do you recall, have you met Mr. Hubbell?
A Yeah, I met him.
Q When did you meet him?
A I don't know it's been years ago.
Q I'm sorry?
A It's been years ago. I don't know the exact date.
Q In the '70s when he was mayor, maybe?
A Could have been. Could have been. That's probably when it was.
Q And just so the record is clear, you met -- the name Jim Guy Tucker was mentioned earlier. When did you first meet Jim Guy Tucker?
A I guess it's when he ran for Attorney General or whatever year that was.
Q Does 1976 sound about right?
A Before that I think.

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Q It was before that?
A Yeah. Clinton ran for Attorney General in 1976.
Q Yeah, you're right. So sometime before 1976?
A Right.
Q What sort of relationship do you have with Mr. Tucker?
A I don't have any.
Q Turning back to the Trapnall Hall fund-raiser, do you recall any of the people present at that fund-raiser?
A No.
Q Do you remember if the governor attended?
A I do not.
Q But it was a large fund-raiser?
A Right.
Q And you attended?
A Right.
Q And Mr. Lasater was one of the organizers?
A That's right.
Q And there were more than a hundred people

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there?
A I would guess that's true.
Q Have you ever been to Quapaw Towers apartment to meet with Mr. Lasater?
A No.
Q I'm sorry?
A No.
Q Did you ever overhear anybody from the governor's office, including the governor himself, talking about going to Quapaw Towers apartments to meet with Mr. Lasater?
A No.
Q Or to meet with anybody from Lasater & Company at Quapaw Towers apartments?
A No.
MR. BRENNER: Excuse me for one second.
(Pause.)
BY MR. BRENNER:
Q I would like to talk to you just briefly about the Arkansas Development Finance Authority leases of space from Madison Guaranty. Are you aware that in 1984, the Arkansas Housing Development

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Agency, the predecessor to the Arkansas Development Finance Authority, leased space from Madison?
A I know they were there at one time, yes.
Q You knew they were there at one time?
A Yes.
Q Did you ever talk to anyone about the fact that they were there or prior to their moving there?
A No.
Q Do you know Paul Mallard?
A Yes.
Q And how do you know Paul?
A He was the head of building services at one time.
Q Do you have a friendly relationship with Mr. Mallard?
A I haven't seen him in a long time, but yeah, I had met him.
Q You did back say between 1984 and 1985?
A Yeah.
Q And do you know Wooten Epes?
A Yes.
Q How do you know Mr. Epes?

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A He was a director, I guess, of ADFA or whatever it was at one time.
Q And as head of the Arkansas Development Finance Authority, Mr. Epes has made statements that he did not want to move into the Madison Guaranty space. Do you know anything about that?
A No.
Q Did you ever see a letter or have a discussion with anyone that you can recall about the fact that the Arkansas Development Housing Authority went -- moved to the Madison space?
A Not that I recall.
Q Did Mr. McDougal ever contact you or did you ever hear about Mr. McDougal contacting anyone about the state leasing office space from either him or from Madison?
A Not that I know of.
Q Did you ever have any meetings that you can recall with Jim McDougal or Susan McDougal about the leases?
A No.
Q How about the governor?

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A No.
Q Betsey Wright?
A Not that I recall.
Q Sam Bratton?
A No.
MR. KRAVITZ: I'm sorry to interrupt. I'm a little bit confused about the question. Are you asking Mr. Smith whether he had any meetings with the governor or Sam Bratton or whether he knows that the McDougal had any meetings with those people?
BY MR. BRENNER:
Q I'm asking if you had any meetings, Mr. Smith.
A Not that I recall.
Q Okay. Are you aware of any meetings between Jim and Susan McDougal or any of the people I just mentioned related to the office space?
A No, I don't recall any meetings, period, about the office space.
Q Did the governor ever express an opinion to you that it might be nice if the state or a state agency leased space from Madison?

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A No.
Q Did you know about the governor's effort to rehabilitate the area of town that Madison was in?
A Did I know what now?
Q To help to rehabilitate the area that the Madison office space was in?
A I don't know, but it sure needed it.
Q I want to turn to generally the governor's office.
Do you need a break?
A No. Do you?
Q No.
(Laughter.)
When did you first meet Sam Bratton?
A He worked in the governor's office back early, back when Clinton was first elected to governor, I think. That's when I met him.
Q When do you recall last speaking to Mr. Bratton?
A I haven't seen him in a couple of years. I don't know. Maybe longer.
Q Did he answer to you when he was at the

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governor's office when you were there?
A No, he was the governor's attorney.
Q So he answered directly to the governor?
A Right.
Q And perhaps on some issues to Betsey Wright?
A Yeah.
Q When did you first meet David Hale?
A I don't think I ever met David Hale.
Q Never met David Hale?
A No.
Q Now, while you were working for the governor, did you ever have the occasion to meet an Arkansas state trooper by the name of L.D. Brown?
A Yeah.
Q When did you first meet Mr. Brown?
A He was on the governor's security for a while. I don't know what dates it was.
Q Were he and the governor friendly?
A At one point, yeah.
Q One of your jobs in the governor's office was working on the appointment of individuals to

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various state agencies; is that correct?
A That's correct.
Q Did that include Arkansas Development Housing Authority and the Arkansas Development Financing Authority?
A Yes.
Q And the banking department?
A Yes.
Q And the securities commission?
A I don't think I had anything to do with securities.
Q You had no input on the securities commission?
A No.
Q What about for the securities commissioner?
A No.
Q How about the savings and loan board?
A I don't recall that.
Q What about the highway commission?
A Yeah.
Q Have you ever met Herby Branscum?
A Yes.

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Q When did you meet Mr. Branscum?
A I don't know for sure. Back in the '70s.
Q Did you ever work with him on the highway commission?
A Yeah, he was on the commission when I was director.
Q Do you know when Mr. Branscum was appointed to his position on the highway commission?
A I guess it might have been '91. I believe it was then.
Q That's about right. Have you ever met Mr. Branscum's partner, Mr. Hill?
A I could have, but I don't really recall it. Maybe I did.
Q Are you aware that the Independent Counsel has issued indictments against Mr. Branscum and Mr. Hill?
A Yes.
MR. PORTNOY: Actually, it's grand juries that hand down indictments rather than the Independent Counsel.
BY MR. BRENNER:

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Q I apologize. The grand jury indictment against Messrs. Branscum and Hill. One of the statements in the indictment was that there were some allegedly illegal campaign contributions by Messrs. Branscum and Hill. Are you familiar with that allegation?
A I read it in the paper.
Q You read it in the paper. Do you know how Mr. Branscum came to be appointed to the highway commission?
A What do you mean?
MR. KRAVITZ: Mr. Smith, can you just hang on for one second? I need to object to that question.
That is, in my view, outside the scope of the Senate resolution we're operating under. As you know -- as you may know -- I don't know if you know that or not -- this very issue is the subject of some disagreement regarding document subpoenas that have been --
MR. BRENNER: I am aware of it.
MR. KRAVITZ: Okay. Let me just finish

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what I'm saying. That have been proposed by the Majority staff and that have been the subject of some negotiation going back and forth, and that I expect will be the subject of possibly one or more votes of the committee this week. It seems to me that it may be that one easy way to do this since Mr. Smith is on the telephone, we could always call him back depending on how this comes out, but I don't know that it makes sense to go into questions that are clearly in dispute as to scope.

MR. BRENNER: Just one minute, Mr. Smith.

THE WITNESS: Okay.

MR. BARTOLOMUCCI: Could we ask him a general question, see whether he has any knowledge at all? Because if he doesn't, then we can just set it aside.

MR. KRAVITZ: I think that's fair. Let's ask him a yes or no question, whether he knows why or how it came about that Mr. Branscum was appointed to the highway commission. I think if the answer is no, we can move on. If the answer is yes then we may have to revisit it at some later time. Is that

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agreeable?

MR. BRENNER: That's agreeable. But before we move on to the question, I would like to state that the resolution says "all matters that have any tendency to reveal the full facts about," and one of the things is "the lending activities of Perry County Bank, Perryville, Arkansas in connection with the 1990 Arkansas gubernatorial campaign." I don't think you can argue in good conscience that the indictment issued by the grand jury which specifically mentions the fact that it may have been a quid pro quo doesn't have a tendency to reveal the full facts about that issue.

MR. KRAVITZ: Mark, let's not start making allegations about people making arguments in good conscience or good faith or bad faith. The fact of the matter is, the Senate operates under a resolution that it passed. The Senate does not operate -- and everyone will agree that the Senate's charter, the Special Committee's charter, is far less broad than the charter that was given to the Office of Independent Counsel.

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MR. BRENNER: I agree with you wholeheartedly.

MR. KRAVITZ: Let me finish what I'm saying. So to make the argument that simply because something has been mentioned in an indictment that was issued by a grand jury operating under the direction of the Independent Counsel doesn't impress me or persuade me that that means that the Senate Special Committee is authorized to investigate it.

And you know it's interesting that you mention the actual section of this resolution which refers specifically to the lending activities of Perry County Bank, Perryville, Arkansas in connection with the 1990 Arkansas gubernatorial election. Now, you know, the indictment that you refer to doesn't make any mention of lending activities of the Perry County Bank, so I mean even under your approach, which I believe is flawed, I don't think that gets you within the resolution.

But we don't need to argue this and waste Mr. Smith's time and waste pages of the record here. Why don't we just ask him the general question that

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we agreed that you would ask and see what his answer is.

Mr. Smith, you understand that the answer that we would like you to give is either yes or no to the question that Mr. Brenner is about to ask?

MR. BARTOLOMUCCI: If he can answer it in a yes or no, we want an accurate answer obviously.

BY MR. BRENNER:

Q Mr. Smith.

A What is the question?

Q The question is whether or not you know any facts which would tend to reveal how Mr. Branscum came to be appointed to the highway commission.

A He's been a long-time Democrat and he was chairman of the young Democrats years ago and I assume that he supported Bill Clinton for all those years.

MR. BARTOLOMUCCI: That kind of sounds like a yes.

MR. KRAVITZ: It sounds like he doesn't know, but he's making an assumption.

MR. BARTOLOMUCCI: Can we ask the question,

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do you have any knowledge about the appointment?
MR. PORTNOY: Do you have any firsthand knowledge?
MR. KRAVITZ: About how he came to be appointed or are you just making an assumption based on your knowledge of his background?
BY MR. BRENNER:
Q Based on your answer, we're going to ask you a couple of quick follow-ups. Do you have any knowledge that was imparted to you as to why Mr. Branscum was appointed, or is it just that you know his long history of being a member?
A I have no knowledge of that fact except what I've told you.
Q Thank you. Do you know William Lyon, Bill Lyon?
A No, I don't know him.
Q I'm sorry?
A No, I don't know.
Q Are you familiar with his appointment to the savings and loan board? Were you involved in the savings and loan board appointments? I'm sorry.

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A When was that?
MR. PORTNOY: In fact, it's not at all clear that Mr. Lyon actually served on the savings and loan board. I believe he served on a different board and has contended that he was asked to consider service on the savings and loan board, so the appropriate inquiry to the extent there is one would involve either his appointment to the bank board or his testimony concerning his appointment to the S&L board.
BY MR. BRENNER:
Q I apologize. Are you familiar with Mr. Lyon's appointment to the Arkansas bank board?
A When was that?
Q It was in the early 1980s, sometime between 1982 and 1985.
A I don't recall it offhand, but I just -- from '83 to '85, I probably -- those positions on the bank board were recommended by the Bankers Association. They sent three names for each district around the state.
Q Did Mr. McDougal ever make any

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recommendations?
A Not that I know of.
Q Not that you know of?
A No.
Q To the savings and loan board?
A Not that I know of.
Q And not to the banking board?
A No.
Q How about to the securities commission?
A I don't have any -- not to me.
Q Not to you but to anyone in the governor's office that you know about?
A Not that I know of.
Q Did you ever meet with Dan Lasater, George Collins or David Locke to discuss appointments to the Arkansas Development Housing Authority?
A No.
Q Did you ever hear of Mr. Lasater, Mr. Collins or Mr. Locke meeting with anyone from the governor's office related to those appointments?
A Not that I know of.
Q I guess to be completely clear on the

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question with Mr. McDougal, did you ever see any correspondence between Mr. McDougal and the governor or anyone in the governor's office related to appointments to the savings and loan board, the securities commission or the bank board?
A Not that I recall.
Q Do you know Kathy Gibson?
A Yes.
Q Who is Kathy Gibson?
A She worked in the governor's office when I was there.
Q Did you work with Kathy Gibson on appointments?
A Yes.
Q Did she ever mention to you that she met or discussed on the phone with Mr. McDougal or Mrs. McDougal any appointments?
A Not that I recall.
Q Not that you recall?
A No.
Q Do you know Linda Trent?
A No.

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Q There's a letter by Mr. Collins dated April 11, and there's a phone message to the governor with your initials, meaning it was sent, as I understand the process, to you from the governor after he saw it, saying that -- by Mr. Lasater that Messrs. Lasater and Collins would like Ms. Trent to be considered for an appointment to the Arkansas Development Housing Agency. Do you know anything about that?

A I do not. I'm not saying he didn't say it to me but I don't recall it.

MR. PORTNOY: Could you identify that document for the record, Mark? Is there a date and Bates number?

BY MR. BRENNER:

Q In that same letter that I'm referring to, there's a reference to Derby Day party. Did you ever attend a Derby Day party of Mr. Lasater's?

A Yes.

Q When was that?

A I don't know what year it was.

Q Could you tell me roughly?

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A It was back in the '80s, but I don't know what year it was.

Q Would it have been somewhere between 1982 and 1985?

A Could have been.

Q The letter I'm referring to is DKSN 027451.

The letter also says "I'm looking forward to welcoming you and Hillary to our Derby Day party and trust you will find it convenient to attend." This is on Collins, Locke & Lasater stationery. Do you know if then-Governor or Mrs. Clinton ever attended a Derby Day party of Mr. Lasater's?

A I don't recall. They could have been there. I remember going -- what was the date of that letter?

Q The date was March 31, 1983.

A They might have.

Q They may have?

A Yes. I said they might have. I remember I went to one, and I don't remember whether they were there or not.

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Q I'm going to run through a few appointments that were made. If appears that George Wright was recommended to be chairman of AHDA in December of 1983 via a letter by Dan Lasater. Were you involved in that?
A George who?
Q George Wright, Jr.
A I don't recall that name.
Q Do you remember Mr. Lasater making any requests on any appointments?
A Well, he could have, but I don't -- specifically I don't remember them.
Q Well, if he were going to make requests on appointments to boards that you oversaw the appointments for and he wanted to make those requests, who would he make that request to?
A He might have made it to the governor or he might have made it to me, I don't know.
Q So you and the governor were the two people who handled most of those requests?
A Right.
Q Did the governor as you understand it see

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most of the letters and phone messages that requested various people to various boards?
A I think so.
Q Do you know what the Public School Financing Board is?
A Who?
Q The Public School Financing Board.
A Do I know who they are?
Q Do you know what that entity is?
A I know about it. I know they have it for schools.
Q That's a bond underwriting board?
A I don't know. I don't know.
Q Are you aware of Michael Drake, who was then-vice president at Lasater & Company, being recommended to that board by Dan Lasater?
A No, I don't remember.
Q Did you ever receive any cash, checks or anything of monetary value from anyone with regard to state commissions or as gratuities?
A No.
Q Do you know of anyone in the governor's

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office doing so?
A Absolutely not.
Q Did you ever take cash from Mr. Lasater or anyone associated with Mr. Lasater?
A No.
Q Mr. McDougal?
A No.
Q Mr. Branscum or Mr. Hill?
A No.
Q Anything of value other than cash?
A No.
Q Did you ever hear of anyone in the governor's office receiving or taking cash from anyone with regard to bond underwritings?
A No.
Q With regard to legislation?
A No.
Q Did you ever receive or hear of anyone from the governor's office or the governor's security detail receiving any envelopes to be delivered to the governor or Betsey Wright?
A No.

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Q Did you ever receive cash at any time from a bank, business or individual with regard to any of the campaigns?
A No.
Q Did you ever direct anyone to receive such cash?
A No.
Q Did you ever hear of anyone from any campaign receiving such cash?
A No.
Q Do you know Bruce Lindsey?
A Yes.
Q When did you meet Mr. Lindsey?
A Oh, I've known him -- I've known him for eight or 10 years, something like that.
Q Are you familiar with the preferred stock offering of Madison Guaranty?
A No.
MR. PORTNOY: The proposed preferred stock offering?
BY MR. BRENNER:
Q The proposed preferred stock offering.

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A No.
Q On February 4, 1985 there's a memo on the governor's stationery re: the Arkansas Savings and Loan Board and on the bottom left-hand side it has Jim McDougal's phone number and name, and it appears that John Latham was the name that was recommended by McDougal because it's written below the rest of the text of that document.
You're not aware of anyone talking to Mr. McDougal about any appointments?
A No.
Q Did Mr. McDougal ever stop by the governor's office?
A I've seen him there a time or two.
Q And this is between 1982 and 1985 when you were there; is that correct?
A Right.
Q Did you see him there once or more than once?
A I know I've seen him there a couple of times, yes.
Q Would he just stop by just for a visit?

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A That's all he ever did with me.
MR. PORTNOY: Could we clarify again, please, Mark, whether by "the governor's office" you mean specifically Bill Clinton's office or the broader office of the governor?
BY MR. BRENNER:
Q When you mentioned -- when I asked you the governor's office, when I asked if Mr. McDougal stopped by the governor's office, did he stop by the governor's office, meaning Bill Clinton's office, or did he stop by the office suite?
A I saw him in the office suite.
Q Did you ever see Mr. Clinton -- then-Governor Clinton with him?
A Not that I recall, but if the governor was there he might have seen him. I just don't recall.
Q Did you ever sit in on any meetings with the governor and Mr. McDougal?
A Not that I recall.
Q Did you ever discuss with Mrs. Clinton the relationship between the McDougals and the Clintons?
A No.

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Q Did you ever discuss with the governor the relationship between the Clintons and the McDougals?
A No.
Q Did you ever discuss with Betsey Wright the relationship between the Clintons and the McDougals?
Mr. Smith? We didn't get an answer to the last question.
A What was the last question?
Q Did you ever discuss with Betsey Wright the relationship between the Clintons and the McDougals?
A Not that I recall.
Q I asked earlier if you were involved with any appointments to the securities commission. And have you ever met Beverly Bassett Schaffer?
A Yes.
Q When did you meet Ms. Schaffer?
A While I was in the governor's office.
Q And do you remember when that was?
A I don't know what date it was. I imagine about the time she got appointed.
Q Were you involved in that appointment?
A No.

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Q I'm looking at a document marked DKSN 026297, it's a letter from the Bassett law firm, Woody Bassett in particular. You know Woody Bassett, don't you?
A Yes.
Q When did you meet Mr. Bassett?
A During some of the campaigns, back in the '80s, early '80s.
Q At this point there's on the memo in handwriting, in larger letters is Gibson and underneath there's a BW/MS/CG. And it says "she'd be good, but may need to do something else, line, B." That's how the governor usually signed handwritten notes; is that correct?
A Yes.
Q And the MS in this is you, Maurice Smith?
A Right.
Q Why would the governor be sending you this letter?
A What was the letter again?
Q It's a letter from Woody Bassett recommending Beverly Bassett to the post of -- to

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securities commissioner.
A I guess he wanted me to see it.
Q But you weren't involved in the appointment?
A Once he signed it, I had to be involved in it. I had to get them ready and had to get Kathy Gibson to get stuff sent to these people.
Q Well, so you were involved in the appointment?
A Well, I wasn't involved in the decision of the appointment.
Q Who would have been involved in the decision?
A The governor would have.
Q Would Betsey Wright have been involved?
A I doubt that.
Q And why do you doubt that?
A I mean he made -- I don't know of anybody who made those kinds of appointments beside himself. He discussed it and told us what he was going to do.
Q By nature of discussion, did he ask you your opinion from time to time?

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A Sure, but he knew this woman Bassett better than I did.
Q So when I asked you the question about whether or not you had a role in the appointment, that includes as far as I'm concerned -- and correct me if I'm wrong -- whether or not the governor asked you your opinion or whether or not you gave your opinion.
A On a lot of them I did, yeah. I didn't know her.
Q You didn't know her?
A He knew her. He knew her up in Fayetteville when he was up there teaching school.
Q Did the governor ever say to you or Betsey Wright ever say to you that they thought Jim McDougal wanted this?
A No.
Q Are you familiar with the "brewery bill" which was a bill that would allow breweries in Arkansas to open certain tasting rooms?
A No, I'm not.
Q Are you familiar with Campobello Island?

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A I know what it is, yeah. I know McDougal bought it.
Q Did you ever attend any parties or any dinners or any functions related to Campobello Island?
A No.
Q Do you know if the governor ever attended any such meetings?
A Not that I know of.
Q I have a couple of questions and then I'm going to be done.
I wanted to get back to Bruce Lindsey for a minute. When did you say you met Bruce Lindsey?
A Back in the '80s. I don't know what year it was.
Q Were he and the governor friends?
A Yes.
Q How often did you see Mr. Lindsey in and around the governor's offices, including the suite?
A Very little when I was there.
Q Did you ever work on any fund-raising activities with Mr. Lindsey?

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A No.
Q Did he ever ask you to contribute to the 1990 campaign?
MR. KRAVITZ: Objection. Mr. Smith, please don't answer that question. That's outside the scope of our resolution. I'm shocked.
BY MR. BRENNER:
Q You stated earlier that you attended a Derby Day party and that you believe the governor may have as well.
A I said I was there. He could have been. I don't know that. I didn't say I believed he did.
Q I'm looking at a memo DKSN 019644, George Locke/Collins, Locke & Lasater. Bill Rempel, do you know Bill Rempel?
A No.
Q "Re: drugs at annual Derby Day party, also discussed relationship with Lasater and the 20 million bond issue with state police. Rempel had the FBI" -- "had the" -- I think it says "'86 FBI Locke file and was asked a lot of questions regarding Locke's statements." Are you familiar with any of

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those allegations?
A I didn't understand what you were reading.
Q It's a handwritten note related to some allegations about drugs at an annual Derby Day party and relationship with Lasater on a $20 million bond issue.
A No, I don't know anything about that.
Q You never saw drugs at any Derby Day parties?
A I never saw -- there was just the one I went to and I was just there a very short time, and I didn't see any drugs. There was booze.
Q I'm looking at another note. It's DKSN 017322. It says "L.D. Brown used to be in governor's security, concerned re: what he would say."
Why would someone be concerned about what Mr. Brown might say?
A What memo is that?
Q I'm sorry. It's a handwritten note.
A Who wrote it?
Q It's not entirely clear from this one page of documents. It appears that it may have been a

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campaign note.
MR. KRAVITZ: What campaign?
BY MR. BRENNER:
Q The 1992 gubernatorial -- presidential campaign.
A I don't know anything about that.
Q You wouldn't know why L.D. Brown would be a problem?
MR. KRAVITZ: Are you just going to ask him to speculate?
MR. BARTOLOMUCCI: That didn't call for speculation.
MR. BRENNER: I can ask if he has any knowledge why L.D. Brown would be a problem.
MR. KRAVITZ: That's not what you're asking him. You're asking him why someone whom you can't identify might have written that note that you just read.
MR. BRENNER: I don't think so. I think the question I asked was whether or not --
BY MR. BRENNER:
Q Do you know why L.D. Brown, who used to be

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in the governor's security, would cause concern for someone re: what Mr. Brown might say? Why would Mr. Brown be a problem?

A Do you want me to answer that?

Q Please.

A As far as I know, he had trouble, he ran the state police union there for a while and he could get some -- so he got mad at the governor. That's the only thing I know about why he'd be a problem. I don't know what problem he would be.

Q So you don't know of any of Mr. Brown's allegations --

A The only thing I know is he got mad at the governor because the governor wouldn't help him pass some legislation he wanted passed.

MR. BRENNER: I'm just going to take one minute, if you could wait a minute. Do you need a break.

THE WITNESS: Yes, I sure do.

(Recess.)

BY MR. BRENNER:

Q Just a couple of quick last questions. Did

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you ever go to Angel Fire ski resort with Mr. Lasater?

A I can't hear you.

Q Did you ever go to the Angel Fire ski resort with Mr. Lasater?

A No.

Q With Patsy Thomasson?

A No.

Q When you were here in Washington, did you talk to Patsy Thomasson?

A Yes.

Q Did you talk to her about anything related to Dan Lasater or ADFA or anything of that nature?

A No.

Q Your conversations with her were general conversation not related to say the issues we've talked about today?

A No. General conversation.

Q Not about upcoming -- her potential upcoming deposition?

A I knew that she had to give one, but we didn't get into it. I didn't get into with it her.

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Q You didn't talk to her about some of the questions that may be raised?
A No.
MR. BRENNER: That's all I have.
EXAMINATION
BY MR. PORTNOY:
Q Mr. Smith, I think we'll be out of here shortly. This is Jim Portnoy, sir.
One question that goes back to the very beginning of the deposition, and I seem to have been confused, is could you try to approximate for me precisely what dates you served in the governor's office, when you began and ended your service in his office?
A I began in January of '93.
Q Of '83, sir?
A Of '83, that's right, excuse me. Of '83, and ended in -- I don't know what date it was but along in the spring of '85. I don't know what the exact date was.
Q Okay, sir. And that was the only time you served in the governor's office; is that correct?

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A Yeah. Well, I told you about being there when he was first elected.
Q Yes, sir. I meant you never served in the governor's office after the spring of 1985?
A Right, right.
Q Mr. Smith, you testified earlier that you may have sat in on a meeting between Governor Clinton and Mr. Lasater but that you weren't sure. Are you sure that a meeting between Mr. Clinton and Mr. Lasater occurred?
A Well, like I say, I've seen him there and I'm sure that he had business in the governor's office.
Q Do you specifically recall, sir, whether you attended the meeting or you just surmised that you might have?
A I couldn't be specific about it. I just surmised that I might have been.
Q Sir, the allegation has been raised that Mr. Lasater had some kind of improper influence over Governor Clinton. Are you aware of any information that would support that allegation?

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A No, I don't know what kind of improper influence it could have been.
Q Well, for example, sir, it's been suggested that Governor Clinton tried to steer state bond underwriting business to Mr. Lasater in return for Mr. Lasater's campaign support.
A I don't think that's true. The bond business was all around over town to the different bond houses as I recall.
Q It's also been suggested, sir, that Governor Clinton somehow intervened or helped direct the police radio bond underwriting to an underwriting syndicate involving Mr. Lasater's company. Do you have any reason to believe that Governor Clinton was involved in that decision at all, sir?
A No, I don't have any reason to believe that.
Q Mr. Smith, do you know whether companies that wanted to do business with the state tried to come in and make pitches to the governor's staff?
A Oh, yeah, sure, there's always somebody coming in wanting to do something.

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Q So that was common, sir?
A Yeah.
Q And it wouldn't have been unusual if Mr. Lasater or a representative of his firm made that kind of a pitch?
A No.
Q Would it have been par for the course?
A Par for the course. It would have been rare if he would have been the only one.
Q To your knowledge, did Governor Clinton or anyone on the governor's staff ever direct business to any underwriting firm or other proposed state vendor for anything other than proper reasons?
A No.
Q To your knowledge, sir, did Governor Clinton or anyone on his staff ever try to direct state business to campaign contributors?
A Not that I know of.
Q I beg your pardon, sir?
A Not that I know of, no.
Q Sir, the specific allegation has been made that Governor Clinton directed the state to lease

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office space at Madison Guaranty in recompense for the fund-raiser that Mr. McDougal sponsored in April of 1985. Do you have any reason to believe that those allegations are true, sir?

A I do not.

Q Do you have any reason to believe that Governor Clinton had any role whatsoever in determining that the state would lease space from Madison Guaranty?

A I do not.

Q So as far as you know, sir, that decision was made in the usual course of business?

A Right.

Q And without any involvement from Governor Clinton or his staff?

A As far as I know.

Q Mr. Smith, Mr. Brenner pointed out to you a number of letters or notes that indicate that prominent citizens made recommendations for boards and commissions. Was that common, sir?

A Oh, we got millions of them.

Q Was it common, sir, for the recommendations

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to come from individuals or business entities that had business before the boards or commissions?

A A lot of them, yeah.

Q So there was nothing unusual, for example, about Mr. McDougal submitting a recommendation for somebody for the S&L board?

A No, if he did.

Q A construction company, for example, might suggest someone for the highway commission?

A Yes.

Q To your knowledge, did Governor Clinton ever make board appointments or commission appointments for anything other than proper reasons, sir?

A No.

MR. BARTOLOMUCCI: Can you define what you mean by "proper reasons" in that context?

BY MR. PORTNOY:

Q Certainly. Let me ask you specifically, sir. To your knowledge, did Governor Clinton ever promise to appoint someone to a board or commission in return for campaign contributions?

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A No.
Q Let me ask you a follow-up to that, sir. To your knowledge, did Governor Clinton ever appoint someone to a board or commission in return for a campaign contribution?
A No.
MR. PORTNOY: Thank you, Mr. Smith. I have no more questions.
MR. BRENNER: I have just a few more questions.
MR. BARTOLOMUCCI: Mark, can I go first?
MR. BRENNER: Yes, you may.
EXAMINATION
BY MR. BARTOLOMUCCI:
Q Mr. Smith, this is Chris Bartolomucci again. We're just going to ask a few follow-up questions. I think we're in the homestretch here.
First of all, other than your family, did you inform anyone about the fact that you were going to have your deposition taken today?
A Nobody but my wife and son-in-law.
Q Do you know a man named Dene Landrum?

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A No.
Q You do not?
A No.
Q I believe you told me earlier that you know a Burt Dickey?
A Yes.
Q Can you tell me how you know him?
A Well, his dad owned an implement business over here in Earl, Arkansas about 20 miles from here, and I've seen him grow up. He's about the same age as some of my kids.
Q Have you had any involvement with Mr. Dickey related to campaign contributions?
A No. Perhaps back in the '82 campaign, I think he had a little fund-raiser in Earl.
Q Just to make sure I heard you straight, you had Mr. Dickey held a fund-raiser in connection with the '82 campaign?
A Yes, he and his mother did in '82, I believe.
Q Okay. Did you have some involvement with that or are you just aware of it?

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A I'm just aware of it.
Q Okay. Do you know Bill Hurt?
A Yes.
Q Who is Bill Hurt?
A He's got a manufacturing company up in Jonesboro, Arkansas.
Q And do you know whether -- let me start over.
Do you have any information as to whether Mr. Hurt received a state commission in exchange for campaign contributions?
A No.
Q Do you know a Ralph Weiser or Weiser, spelled W-e-i-s-e-r?
A No.
Q You don't know whether Weiser or Weiser?
A No.
Q Do you know a Ron Owens?
A Yeah, he's dead, but I knew him.
Q How did you know Mr. Owens?
A Well, he helped Clinton's campaigns.
Q Do you have any knowledge as to whether

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Mr. Owens donated campaign money in the names of others?
MR. KRAVITZ: In what year?
MR. BARTOLOMUCCI: I want to ask more generally.
MR. KRAVITZ: You're not allowed to ask that question more generally. That question is outside the scope of our resolution.
MR. BARTOLOMUCCI: Mr. Smith doesn't seem to have a precise grasp of particular years. I think it's going to be impossible to pin him down.
MR. KRAVITZ: Wait a minute. Unless you can link it up somehow to something that's within our resolution, I mean there are two gubernatorial campaigns that have hooks in our resolution. One is the 1990 relating to the lending practices of Perry County Bank and one is the 1984 campaign strictly as it relates to the 1985 fund-raiser that was held at Madison Guaranty Savings & Loan.
Other than that, questions about campaign contributions, whether they were legal or illegal, are outside the scope.

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MR. BARTOLOMUCCI: I'll just tie it to those two campaigns.

BY MR. BARTOLOMUCCI:

Q Mr. Smith, with respect to the 1984 or 1990 gubernatorial campaigns, are you aware of if Mr. Owens made any donations which are recorded in the names of other people?

MR. KRAVITZ: Mr. Smith, please don't answer that question. I object to that question. It's way outside the scope. If you want to ask whether Mr. -- what's the name of the person you're talking about?

MR. BARTOLOMUCCI: Ron Owens.

MR. KRAVITZ: If you want to ask him whether Mr. Ron Owens made contributions at the April 4, 1985 fund-raiser at Madison, you can ask that question, and if you want to ask whether Mr. Owens made some contributions that was related in some way to the lending practices of the Perry County Bank in relation to the 1990 gubernatorial campaign, you may ask that question. Otherwise, I'm going to instruct Mr. Smith not to answer.

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MR. BARTOLOMUCCI: I really have to object to that approach. I mean Jim just asked whether Mr. Smith knows anything about anyone receiving commissions for any campaign contributions. That's on the record.

MR. KRAVITZ: And as a result of those questions, I have not objected to your questions of Mr. Smith to the effect of whether he knows whether Mr. X or Mr. Y received an appointment to a board or commission in return for campaign contributions. I otherwise would have objected to those questions, but I noted that Mr. Portnoy's questions I thought fairly opened the door to those questions and I didn't object.

You are now asking questions that are not in any way responsive to any door that Mr. Portnoy's questions opened, and I think you know that.

BY MR. BARTOLOMUCCI:

Q Let me try this. Mr. Smith, do you know whether in connection with the '84 campaign or subsequent to the campaign at the '85 fund-raiser, Mr. Owens made a donation in the name of someone

else?
MR. KRAVITZ: Please don't answer that question. If you want to ask the second half of that question, he can answer it. Other than that, he can't answer that question.
MR. BARTOLOMUCCI: We're going off the record for a second.
(Discussion off the record.)
BY MR. BARTOLOMUCCI:
Q Back on the record. Mr. Smith, I don't think we have much more. Let me in the interest of moving this along, I'll put my question just to you in this limited fashion, which is if you know whether at the 1985 Madison fund-raiser, Mr. Ron Owens contributed money that was recorded or reflected as having been donated in someone else's name.
A Absolutely not.
Q Do you know a man named Jim Barber?
A Yes.
Q Who is Mr. Barber?
A He lives in Jonesboro. He's been involved in some of the campaigns. I think he's in the



manufacturing business up there.
Q Let me ask you the same question about him that I asked you about Mr. Owens, which is whether at the '85 Madison fund-raiser, Mr. Barber donated money that was recorded or reflected as having been donated in somebody else's name.
A I do not.
Q Have you ever had any meetings with Governor Clinton at Quapaw Towers?
A I have an apartment there he's come back to.
Q But these were just visits, not business-related meetings?
A No.
Q Do you know what years you lived there?
A I've had an apartment there since 1973. I still have got it.
Q Do you have a rough idea as to how many times you would have seen him there?
A Oh, maybe three or four during the 10 years there.
MR. BARTOLOMUCCI: I think that's all I

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have.

EXAMINATION

BY MR. BRENNER:

Q I have a few related to some other areas that Mr. Portnoy reached into. You stated that you weren't aware of any improper deals where state business was directed to Mr. Lasater or to Mr. McDougal after their fund-raising; is that correct?

A That's correct.

Q But the fact is that a good deal of state business was directed to both Mr. Lasater and Mr. McDougal after, subsequent to their fund-raising activities; is that correct?

A I don't know.

Q Well, you know Mr. Lasater became more and more involved after 1982 in bond underwriting contracts for the state of Arkansas, don't you?

A Yes, I know that. As well as some other bond houses.

Q But Mr. Lasater happened to be among those bond houses that received a good deal more business

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after 1982?

A Mr. Lasater received some bond business. I don't know how much more. He was among those that received business from the state. I don't know that he received much more.

Q Well, he wasn't actively involved before 1982, was he?

A Well, we weren't either.

Q Exactly.

A Yeah, right.

Q You stated that the final say on the leasing of space by AHDA was Paul Mallard's decision?

A He was the building services director, so he was the one that was doing it, as far as I know.

Q And he was appointed by Governor Clinton; is that correct?

A That's correct.

Q So Governor Clinton certainly had some degree of influence with Mr. Mallard?

A I would imagine he did.

Q You mentioned that many people would make calls or write letters for recommendations. Did the

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governor actively reach out and consult a large number of people on recommendations?
A Well, I would like to say that -- like I say, he got all kinds of recommendations.
Q But in other words I'm talking about the governor reaching out and saying call Jim McDougal and see how he feels about this.
A Not that I know of.
Q So the governor didn't reach out to any great degree to people for recommendations. Plenty of recommendations were coming into the governor without him having to reach out?
A Right.
Q You stated that promises were never made to appoint people to various state commissions after various lending or fund-raising activities?
A Not that I know of.
MR. KRAVITZ: And just so the record is clear, because I think you misstated this once before. The testimony was that no appointments were promised in return for campaign contributions.
BY MR. BRENNER:

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Q So you stated that no appointments were promised in return for contributions; is that correct?
A That's correct.
Q But as you understand it, including Mr. Branscum and Mr. Hill, who were appointed to commissions and including many of the people recommended by Mr. McDougal and many of the people recommended by Mr. Lasater, the fact that someone did those fund-raising activities, even though it may not have been promised, there may have been an implicit understanding, it's possible?
MR. PORTNOY: I believe that's the opposite of Mr. Smith's testimony. Mr. Smith testified that nobody received an appointment in return for contributions, and your question presumes that they did.
MR. BRENNER: No, no, no. Neal said nobody was promised.
MR. PORTNOY: I asked the specific question whether anybody received an appointment in return for a contribution, and Mr. Smith testified that nobody

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received an appointment in return for a contribution. And I just want to be clear that what your question is suggesting is that in fact someone did receive an appointment in return for a contribution, and in light of the fact we're doing this over the telephone, I don't want Mr. Smith to be confused about the implication of your question.

MR. BARTOLOMUCCI: I think you better try the question again.

MR. KRAVITZ: You did ask both those questions.

BY MR. BRENNER:

Q The reality of the situation, it seems, based on the facts we have, is that whether or not there was a promise or whether or not anyone received, depending on which way you use the language, commissions for campaign contributions, the reality is that those who contributed during times of need, such as Mr. Branscum and Mr. Hill, did receive appointments subsequent to their campaign contributions; is that correct?

A Well, you know, I would assume that he

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didn't appoint anybody that wasn't worth appointing.

MR. KRAVITZ: I don't think it was a question.

MR. PORTNOY: I think Mr. Brenner was testifying. And if you want to ask the witness whether he knows of any connection between campaign contributions and appointments in the context we've discussed, that's fine. Your testimony is not what we're here for.

MR. KRAVITZ: You're also asking him about a time period that he wasn't in the governor's office. You're asking about Branscum and Hill. He was out of the governor's office six years before Branscum got appointed --

MR. BRENNER: He had stated on the record previously that he knew of Mr. Branscum and Mr. Hill, that he knew of Mr. Branscum's appointments to the highway commission, so he may have some knowledge in this area.

MR. KRAVITZ: And is it your position that that question, quote, question that you just asked was likely to elicit any information that this

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witness might have about that point?
MR. BARTOLOMUCCI: This is pointless.
Let's continue --
MR. KRAVITZ: I agree this is pointless.
MR. BRENNER: Could you reread the question, please?
(The reporter read the record as requested.)
BY MR. BRENNER:
Q Mr. Smith; is that correct?
A Why don't you ask that question. I didn't understand everything he said.
Q Do you want me to re-ask the question?
A Why don't you re-ask it and do it shorter if you can.
Q The short version is I'm asking you whether or not you have an understanding that those who contributed received commissions to various state boards, even though you've stated earlier that there was no promise of a commission appointment for a contribution. And I'm asking you if you understand that to be correct.
MR. PORTNOY: Mr. Smith, please don't

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respond. I would like the record to be clear that the question suggests that everyone who contributed to the Clinton campaign received an appointment, and I think there's also an implicit implication that everyone who received an appointment contributed. I think a fairer question, and one that Mr. Smith presumably could answer based on his knowledge, is that some people who made contributions later received appointments. Whether Mr. Smith is aware of any connection between those two facts is an entirely different matter.
BY MR. BRENNER:
Q Are you aware of any connection between appointments and fund-raising or campaign contributions or loans to campaigns?
A No.
Q Even if it's not a direct relation or based on a promise, can you see a relationship between those two things?
A Like I said, I know that he's appointed people that have made contributions.
Q And so there may well be a connection, in

fact; is that correct?
MR. KRAVITZ: Are you talking about any particular appointment?
MR. PORTNOY: I'm going to object to that. A connection is not the same as an observation that two facts exist, one fact being that an individual made a campaign contribution, another fact being that that individual received an appointment. And I don't want Mr. Smith to be in the position of testifying to a connection if all he's doing is acknowledging that both those facts exist.
So if Mr. Smith wants to be clear on that, that would be fine.
BY MR. BRENNER:
Q Mr. Smith?
A Yes.
Q You still there?
A Are you all clear on it? You lost me.
Q I think that's all we have.
THE WITNESS: Okay.
MR. BARTOLOMUCCI: Sounds like that's it, Mr. Smith. Thank you very much.



(Whereupon, at 11:59 a.m., the deposition was concluded.)

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W. MAURICE SMITH, JR.

CERTIFICATE OF NOTARY PUBLIC & REPORTER



I, CARMEN BUNCH, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Notary Public in and for the
District of Columbia

My Commission Expires MARCH 14, 1998

DEPONENT Minnie Smith

## ERRATA

| PAGE | LINE | CHANGE FROM | CHANGE TO | REASON |
|---|---|---|---|---|
| 14 | 10 | GOVERNOR IS ON COMMISSION | GOVERNOR APPOINTS COMMISSION | WRONG |
| 11 | 11 | APPOINTS A COMMISSION | APPOINT A COMMISSIONER | |
| 28 | 20 | The ONLY | Not the ONLY | WRONG |
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# DEPOSITION OF GEORGE H. WRIGHT, JR.
# IN RE: S. RES. 120

**WEDNESDAY, APRIL 24, 1996**

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER
DEVELOPMENT CORPORATION AND RELATED MATTERS,
*Washington, DC.*

Telephone deposition of GEORGE H. WRIGHT, JR., called for examination pursuant to notice of deposition, at 2:15 p.m. in Room 640–A of the Hart Senate Office Building, before JOANNE LIVERANI, a Notary Public within and for the District of Columbia, when were present:

MICHAEL P. O'CALLAGHAN, ESQ.
Majority Associate Special Counsel
MITCHELL FEUER, ESQ.
Minority Counsel
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Building
Washington, DC 20510
On behalf of the Committee.

WILLIAM RANDAL WRIGHT, ESQ.
Wright & Burke
P.O. Box 1317
Hope, Arkansas 71802–1317
On behalf of the Deponent.

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PROCEEDINGS

MR. O'CALLAGHAN: Good afternoon, Mr. Wright. My name is Michael O'Callaghan. I am associate special counsel for the Special Committee.

This afternoon this deposition is being conducted pursuant to Senate Resolution 120. The resolution establishes a Special Committee administered by the Banking Committee to conduct an investigation involving Whitewater Development Corporation, Madison Guaranty Savings & Loan Association, Capital Management Services, Inc., the Arkansas Development Finance Authority and other related matters.

This deposition is in advance of public hearings which are going to occur next week and there is a chance you will be called to testify at those hearings.

Today we will ask you a series of questions, ask you to testify under oath. If you don't understand a question, let me know and I will rephrase it. The same thing for Mr. Feuer. If you need a break, let us know and we will accommodate



you.

We have a stenographer with us today who is preparing a record of questions and answers. The deposition will be treated as committee confidential until the commencement of the hearings. Prior to the hearings, you will be given an opportunity to review your transcript of your deposition and also to make any changes for correction on an errata sheet which we will supply you.

You may be represented by counsel today. Are you represent by counsel, sir?

THE WITNESS: Yes, I am.

MR. O'CALLAGHAN: Could Counsel state your name and the name and address of your firm.

MR. WRIGHT: William Randal Wright, Wright & Burke, Attorneys, P.O. Box 1317, Hope, Arkansas 71802-1317.

MR. O'CALLAGHAN: Could you spell the second name in the name of the law firm, please.

MR. WRIGHT: Yes, B-u-r-k-e.

MR. O'CALLAGHAN: Objections to the form of questions will be noted for the record. Counsel may

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object on grounds of privilege or relevance. And the Committee Chairman may rule on objections where the witness refuses to answer a question.

Mr. Wright, do you agree to be sworn in over the telephone?

THE WITNESS: Yes, I do.

MR. O'CALLAGHAN: Could you please swear the witness.

Whereupon,

GEORGE H. WRIGHT, JR.

was called as a witness and, having first been duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. O'CALLAGHAN:

Q Could you please state and spell your full name for the record.

A My name is George, G-e-o-r-g-e, H. Wright, W-r-i-g-h-t, Jr.

Q Have you spoken with anyone other than your counsel prior to today's deposition, about the deposition?

A No, I have not.

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Q Did you do anything to prepare for the deposition; review documents, anything like that?

A No, sir, I did not.

Q Are you currently employed?

A I am employed by Columbia Medical Park Hospital in Hope, Arkansas.

Q What is your present position?

A I am director of marketing and business development for Medical Park.

Q For Medical Park?

A It is Columbia Medical Park Hospital.

Q Thank you.

It is a little difficult sometimes to hear. I apologize if I ask you to repeat.

A That's fine.

Q Could you give me -- first of all, are you a high school graduate, sir?

A Yes, I am.

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Q Could you give me a history of your education since you graduated from high school.
A I graduated from high school, I graduated in 1969 from Arkansas State University with a degree in business administration. I've not pursued a higher degree.
Q And could you give us a description of your employment between the time, January 1982 through the end of October 1986?
A Okay, January 1982 till September of 1985 I was a partner with Gus Hogan in the -- in a real estate company in Hope, Arkansas called Hogan Realty, Inc. And from September of '85 till January of '86, I was employed by Farmers and Merchants Bank, in Rogers, Arkansas. January of -- January of '86 till sometime in the summer of '87, I was employed by Rector Phillips Morris, a real estate company in Little Rock, running their mortgage company.
After that I worked for the next year and a half, I believe, with Twin City Mortgage Company in North Little Rock. After that, in '89, sometime in January of '89, I moved back to Hope and worked for

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Hope Auto Company until January of '92, in which I started working for Medical Park Hospital.
Q Okay, during that time period, did you serve in any state boards or commissions?
A Yes, from January or February of '83 until January of '90 or somewhere around the end of the year of '90 -- I can't remember if we went off -- anyway, I served seven years on Arkansas Housing Development Agency, which later became the Arkansas Development Finance Board, for the state of Arkansas.
Q Were you appointed to that position?
A Yes, I was.
Q And who appointed you?
A Governor Bill Clinton.
Q And how long -- did you have more than one term there?
A Actually, for the Arkansas Housing Development Agency Board it seemed like there was a five-year appointment. And then when they reorganized it and it became the Arkansas Development Finance Authority, I finished out a term, which was

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the -- the total was for seven years, but I don't think there was actually a reappointment. I think they staggered the terms of the board members at that time, and whatever it was. I only served as far as one appointment, as well as I remember that.

Q Had you made a request to be appointed to that board?

A No, I didn't.

Q Do you know if anyone recommended you to the board?

A Do I know who recommended me?

Q Whether anyone did, yes, sir.

A I am sure there's some friends of mine down here in Hope that recommended me to the governor, an appointment for that vacancy of which at the time, in '83, there was a guy named Gerald Keith that was from Hope that was going off the board. But I don't know who it was.

Q Before you were appointed, did you express an interest to anyone with regard to your desire to become an AHDA board member?

A No, sir.

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Q Did there come a time when you became a chairman of the agency?

A Yes, sir, in 1985. I think the -- during the year 1985 is when -- during the middle of the year is when the board changed from the Arkansas Housing Development Agency to the Arkansas Development Finance Authority, and I was chairman of the Arkansas Housing Development Agency at the time it changed over to -- to the Development Finance Authority, and so I remained through that year. I served one year as chairman.

Q Prior to being chairman, what was your position?

A Board member.

Q Do you know a gentleman by the name of Dan Lasater?

A Know of him. I don't know that I've -- and I have probably seen him but I don't know that I have ever officially met him.

Q Do you know if Mr. Lasater ever recommended you for the chairmanship of the Arkansas Housing Development Agency?

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A I do not.
Q I have a letter before me, which unfortunately I haven't been able to provide you due to the confidentiality agreement we have with the entities we subpoenaed for documents. It is a three-page document, totals a two-page letter. The document Bates stamps are DKSN 027455 through 27457.
It is a letter on Lasater Farms stationery dated December 14, 1983. It is addressed to "the Honorable Bill Clinton" and it is signed "sincerely, Dan R. Lasater."
And on the first paragraph, on the second page the paragraph which reads, "with regard to the board of the Arkansas Housing and Development Agency, it is our understanding that the chairmanship rotates annually. Based on this understanding we would like to recommend our mutual friend, George Wright, for the chairmanship. George has expressed an interest in the chairmanship and we believe he would take the time and devote the energy necessary to do a good job."
Did you know anyone else at the firm of

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Collins, Locke & Lasater or Lasater & Company?
A I can't remember his name. Michael -- I can't remember -- I can't recall his last name right now.
Q Is it Michael Drake perhaps?
A Yes. Michael Drake usually made the -- the board meetings of the Arkansas Housing Development Agency, as did a lot of investment bankers in the state.
Q And did you have any conversations with Mr. Drake about a desire to become chairman of the board?
A No, sir, I did not.
Q After I read that passage to you, does that help refresh your recollection as to whether you had any conversations with Mr. Lasater about this issue?
A I sure didn't. That was, what, September '83?
Q I'm sorry, the letter is December 1983.
A December of '83?
Q Yes, sir.
A I can't remember ever having a conversation

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desiring to be chairman of the Arkansas Housing Development Agency. Like I said, it was a rotation thing; if you are on the board long enough, sooner or later it is probably going to come your time to be put up for chairman. And I was only on there -- and by December of '93 I was only on there not even a full year.

Q That's December 1983; right, sir?

A That's what you said.

Q No, I think you said '93. I want to make sure.

A Excuse me, '83.

Q Do you have any idea why in a letter to the governor that Mr. Lasater would refer to you as a mutual friend of his and the governor's?

A No. I am a mutual friend of the governor. I mean I am a friend of the governor's.

Q How long have you known the governor?

A Since I was four years old.

Q Did the governor ever tell you that Mr. Lasater was recommending you as a candidate for chairman of the AHDA board?

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A No, sir, he never did.

Q Did he ever relate to you that Mr. Lasater recommended you for reappointment to the ADFA board at any time?

A No, sir.

Q I have another document here. It is a one-page letter on Lasater, Inc. stationery, and it is dated May 1, 1985. It is addressed to "the Honorable Bill Clinton," and reads "Dear Governor Clinton." It reads, "it is with great pleasure that we write to you in support of the appointment of George Wright, Jr. to the position of board member, Arkansas Development Finance Authority."

Were you aware -- does this help refresh your recollection whether Mr. Lasater ever recommended you for appointment to the ADFA board?

A I was unaware that Mr. Lasater ever recommended me for anything.

Q Can you think of any reason why Mr. Lasater would have recommended you for appointment to the board?

A No, sir.

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Q Did the governor ever relate to you -- does that help refresh your recollection whether the governor ever related to you about Mr. Lasater recommending you?
A No, sir.
Q For the record, the letter I just read has the Bates stamp on it, DKSN 027245.
During 1983, did you have any contact with the governor?
A Did I have any contact with the governor?
Q Yes, sir.
A Not that I can recall. I might run into him at a -- at a political function or something.
Q Did you have any meetings or discussions with him in connection with your work at AHDA?
A No, sir.
Q You seem pretty sure about that. Is there any reason why you are --
A Because I have never met with the governor concerning anything on that commission.
Q Did you, during this time period, have any meetings with anyone at Lasater & Company?

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A Lasater & Company?
Q Or Collins, Locke & Lasater, its predecessor, as well?
A Outside of the board?
Q Outside of regular board meetings where I guess you said Mr. Drake attended some meetings.
A Not that I can recall.
Q Did Mr. Drake ever come visit you, either at your home --
A No, sir.
Q Did Mr. Drake or anyone from the firm ever call you to -- in an effort to get business for Collins, Locke & Lasater or Lasater & Company?
A Mr. Drake was at most of the board meetings. And he was always expressing an interest of being -- their firm being included on the -- as underwriters on bond issues.
Q Did you have any conversations with him outside of board meetings with regard to Lasater & Company or Collins, Locke & Lasater's participation in AHDA bond offerings?
A I do not recall any.

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Q Do you recall the multifamily bond issue that was voted on -- the selection of underwriters that was voted on in the spring of 1983?
A The -- specifically?
Q Yes, sir.
A I do not specifically recall the issue.
Q I have before me some minutes of an AHDA executive board meeting from March 18, 1983. I would like to read you a brief portion from it.
A Okay.
Q I am reading from the third page of the document. And it reads "Mr. Stout stated that AHDA has received eight proposals on the proposed multifamily bond issue, and sometime within the next few days a multifamily subcommittee meeting would be scheduled to review these proposals and recommend to the full board their decision of underwriters for this program." And that's dated March 16, 1983, I guess would be the day before St. Patrick's Day.
Do you have any recollection of eight firms putting in proposals for a multifamily offering during that time?

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A Well, not -- not specifically on that issue, because generally -- hello?
Q Hello, we are still here.
A Okay. Generally, the way it was handled, to accept proposal on a new bond issue as far as underwriters go, that was a -- that was a process that I believe the board undertook on most all issues.
Q Did you serve on any subcommittees of the agency?
A Yes, I did serve on a selection of underwriters and bond counsel for several issues, during the tenure of seven years.
Q Was it different subcommittees set up for every offering, or was there a standing committee --
A I don't recall how they appointed it. It seems like early on I was on more of those than later on in the seven years, but I don't remember exactly how that -- how that came about.
Q I also have before me -- I am trying to help you remember, if possible, another Arkansas Housing Development Agency subcommittee meeting.

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These are minutes from the subcommittee meeting dated April 1, 1983.
A Okay.
Q It is at 3:00, and the second paragraph in the minutes read "the board members present were Mr. Charles Stout, Mr. Mahlon Martin, Mr. George Wright." Do you recall being on the multifamily subcommittee? Does that help you remember, after my having read that to you?
A Like I said, I was on several. But if it says I was on that committee, I was on that committee.
Q Okay. I am just trying to help you place in time this particular offering that was being contemplated.
A I can't remember any specific issue during the whole seven years, because there were so many of them.
Q Okay. During this particular meeting, it reads on the last paragraph of the first page, "Mr. Wright moved that Verex be accepted as mortgage insurer, Mr. Martin seconded and the board passed the

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motion. Mr. Stout mentioned that although Mr. Hardwicke was not present, he had talked with him on the phone and Mr. Hardwicke was in agreement with Verex being selected as mortgage insurer." Do you remember that happening?
A No.
Q On the next page is a paragraph which reads "the members discussed at length the qualities they were looking for in the underwriters who were selected for 1983 proposed multifamily program. Ms. Trent stated that all the underwriters requested a chance to give oral presentations before the board makes a decision. Mr. Williams suggested that the underwriters should be willing to give this project the full attention and do a good job for us."
Then the next paragraph reads "it was finally determined that it would be in the best interest of AHDA to invite each of the proposed underwriters to deliver a 15- to 20-minute presentation before the subcommittee, starting 9:30 a.m. Tuesday, April 12, and the subcommittee would make recommendations to the full board the same day

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at a 3:00 meeting."
Do you recall discussions of that nature --
A I remember -- there again, I couldn't specifically name what firms made presentations, but I do remember those long -- that long day of looking at proposals.
Q Okay, was this the first multifamily issue that the agency had contemplated while you were there?
A I am sure it was, if it was early on in '83.
Q Was that why the underwriters were asked to come in and give their presentations?
A Probably.
Q Do you recall if Collins, Locke & Lasater was one of the firms that gave a presentation?
A No, sir, I don't recall any of the underwriters that gave them specifically. You know, I just know there was quite a few.
Q Okay. Well, I am going to move on to the next -- to April 12, 1983. I've got minutes from the executive board meeting of Arkansas Housing

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Development Agency.
A Okay.
Q And towards the -- on the fourth page of this meeting, of the minutes for this meeting, it reads "Chairman Stout stated that the multifamily subcommittee heard oral presentations from the underwriters early in the day and were prepared to make recommendations to the full board this afternoon. He asked Vice Chairman Hardwicke for the subcommittee's recommendation."
It reads "Vice Chairman Hardwicke informed the board that all the proposals were good and after listening to eight proposals and considering each carefully, the subcommittee would like to recommend to the board that Merrill Lynch be the lead underwriter, with Stephens, Inc. and T.J. Raney & Sons, Inc. as locals."
And it continues "the board also recommended that the Rose Law Firm be selected as bond counsel. After motions were made and seconded, the board unanimously approved the underwriters and bond counsel recommended by the subcommittee."

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Do you recall making that -- your subcommittee making that recommendation to the board on this multifamily deal?

A I do not recall making specifically any of those. I do -- I am familiar with those firms.

Q Okay. Do you recall a time when additional underwriters were added to that team that worked on the multifamily issue?

A Do I recall specifically? There was some added. I don't know when.

Q Do you know what the circumstances were of the other firm being added?

A No, sir.

Q Was the purpose of the oral presentations and the proposals that were submitted, was the purpose of having the firms do that to give the board an opportunity to weight the merits of the different firms' ability to represent the agency? Is that right?

A I think that's correct.

Q I have before me now a copy of board minutes from a special executive board meeting dated

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April 19, 1983, of the Arkansas Housing Development Agency.

And towards the second to last page, appears to be towards the end of the meeting, it reads "upon Mr. Hardwicke's request for further business, Mr. Wright made a motion that Collins, Locke & Lasater be added to the underwriting team for the agency's proposed 1983 multifamily issue, in order to spread it around, include more local Arkansas underwriters on this issue. Mr. Edwards seconded the motion and the board approved same."

Do you recall on -- this was April 19. Do you recall making that motion in front of a special executive session of the AHDA?

A If it is there in the minutes I suppose I did. I can't recall. That was 13 years ago.

Q Do you recall -- was that a common practice to include firms in -- after a meeting had already been held and other firms were selected at a previous meeting?

A Was it a common practice? I am not sure.

Q My question is was this like a unique

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happening or were firms usually chosen at one meeting or were they added on as the process --
A Oh, no. I think I would have to look at all that stuff to determine, you know, what the board's thinking was, to do -- amend that, and add more to it.
Q But --
A One thing we were concerned about during the whole tenure is having good strong local firms involved in our bond issues.
Q You don't recall specifically making the recommendation that Collins, Locke & Lasater be included in the 1983 multifamily issue?
A You recalled it for me on the reading of that, and if it says that I did --
Q I am just wondering if independent of my reading it for you, if that helps you remember?
A No, sir. No, sir.
Q During 1983, do you recall having a conversation with Tom Carter of Collins, Locke & Lasater?
A Tom Carter?

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Q Yes, sir.
A I don't know that I know Mr. Carter.
Q Do you know whether or not Collins, Locke & Lasater put in a proposal to be included as one of the underwriters in this offering?
A I'm not for sure. Did they?
Q I'm sorry, sir, I am just asking you if you remember.
A I am not sure.
Q Okay. In the minutes it said that the reason they were being included was in order to spread it around, include more local Arkansas underwriters on this issue.
Was that a sentiment of yours or did you receive that from other board members, do you recall?
A I think there were several board members that that was a discussion of. During the whole seven years, again, we thought it important to include as many local firms as we could, as long as it didn't raise the cost of the issue.
Q Did you have any communications with anyone in the governor's office about the inclusion of

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specific underwriting firms in bond offerings?
A No, sir.
Q Did you have any contact with anyone in the governor's office about Arkansas Housing Development Agency business in general?
A In general?
Q Yes, sir.
A Bob Nash from the governor's office would come to our meetings on a regular basis. I think his -- he was maybe senior adviser to the governor or something, but he was at all of our meetings, I believe.
Q Do the minutes of the meeting reflect everyone who was present at the meetings?
A I don't know. Probably should.
Q Were you aware of any complaints that were raised by any of the underwriting firms in the spring of 1983 about the inclusion of other firms in that syndicate?
A Seems like Stephens, Inc., one of the other local underwriters -- I can't recall but it seems like that they were unhappy or resigned off the issue

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or something. I'm not for sure.
But that -- that's something in there, like I remember something about Stephens being upset with another firm being added to, and I guess specifically, the Collins, Locke & Lasater deal. That all happened around -- I mean if that was on that particular issue, unless it was another issue that I can't remember.
Q Okay --
A On one issue, Stephens resigned off of the issue.
Q Did that surprise you?
A Yes.
Q Okay, and why? Had any other underwriters ever resigned from a deal before?
A No. In fact, to my knowledge, I think Stephens had been on every one of them. Yes, that kind of surprised me.
Q Do you recall what their concerns were?
A No, I don't.
Q Did you have any discussions with Mr. Stout about this?

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A Did I have any discussions about it?
Q Yes, sir.
A I can't recall any of them I had. I can't recall.
Q Do you recall how you became aware that Stephens was dissatisfied?
A Resigned from a -- the issue, and I don't know if it was that one, but some issue back then in that time period, they did resign from the issue.
Q Did that cause the board members any concern?
A Sure did.
Q Were there any discussions about the resignation?
A I don't recall any specific instructions -- discussions.
Q Do you recall whether the -- any of the board members discussed the fact that it -- discussed the concerns of Stephens about another firm being added out of turn?
A I don't recall that.
Q I've got a letter in front of me, on

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Stephens, Inc. letterhead, dated April 28, 1983, addressed to Mr. Charles Stout. Who was Mr. Stout? Was he on the ADFA board?
A Charles Stout?
Q Yes. Or an officer of AHDA?
A He might have been the chairman of the board at that particular time. Sounds like he was chairman of the board at that particular time.
Q Actually the letter is addressed "Dear Chairman Stout"?
A Yes, he was the chairman.
Q It reads -- I will read portions of the letter. This might help you recall some things. "It is with great regret that I must inform you that Stephens, Inc. is withdrawing from the multifamily housing issue to which we were recently selected as co-manager along with Merrill Lynch; Pierce, Fenner & Smith; and T.J. Raney & Sons."
Then, the fourth paragraph down reads "a guiding principle of the agency from its inception has been the requirement that professional firms, including bond counsel and underwriters, be selected

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on the basis of merit through written and oral presentations. With exception of the most recent single family issue, the agency has seen fit to select the underwriters who had the most superior combination of credentials which would benefit the agency. Namely sufficient capital to underwrite, strong sales capability, in-house technical expertise, and the ability to continue to make a market in the agency's securities in the secondary market."

Next paragraph starts "with this knowledge Stephens, Inc. responded to an invitation to propose as managing underwriter to the multifamily issue. We were very pleased to have been selected as co-manager. We were looking forward to beginning work immediately. In the meantime subsequent to our selection, the board decided without discussion to add to the underwriting group a firm which did not submit a proposal under the agency proposal procedures, which invited individual firm proposals. Although it is certainly the agency's privilege to appoint any firm, we would invite you to investigate

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more carefully whether the added company meets the standards of capital, experience, sales capabilities, staff service, and market support which have been the preference of the board in all previous issues."

Next paragraph reads "we are concerned that such actions may be an indication of an erosion of the independence of the board of directors, which if publicly perceived can only be perceived adversely in the market. It is therefore with reluctance that we withdraw from this issue. We are hopeful this action will not preclude us from participation in future offerings of the Arkansas Housing Development Agency assuming this selection is made on merit and experience."

Did you ever see a letter that contained the statements that I just read to you?

A I can't recall seeing that specific letter, no.

Q Does this help: This is dated April 28, 1983. Is it your recollection that the firm that they are referring to is Collins, Locke & Lasater?

A You know, I assume it is but I don't -- you

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know, just from what you told me, I guess it was.
Q In the letter, it refers to a concern that Stephens, Inc. had with regard to the credentials of the firm that was added. Are you aware of whether -- what those concerns were specifically?
A No, but --
Q I'm sorry, what was that?
A No.
Q The letter invites the agency to "investigate more carefully whether the added company meets the standard of capital, experience, sales capabilities, staff service, and market support." Do you know if any kind of investigation was ever done of that nature?
A I don't know that it was not.
Q But you don't know that one was --
A That's right, I don't know if it was. But that was a -- normally we would look in on -- look at those factors.
Q What type of review of the firms did the agency make before they selected them as underwriters?

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A Like I said, we went through all the written proposals and then went through the oral presentations.
Q So basically the information you relied on was provided by the underwriters?
A I am not -- not for certain and I can't remember that far back. But I am not for certain that any -- anybody outside the lead underwriter made the oral presentations. I am not for certain that the locals made the full preparations. I guess they could have. I am just not -- I can't remember.
Q Do you recall if Mr. Drake ever made a presentation before the board?
A I don't recall a specific presentation by Mr. Drake. I don't recall if he did or not.
Q Do you recall if he ever made one of any nature?
A As I say, Mr. Drake was at a lot of the board meetings. I don't know if he ever made a presentation for his company or not.
Q So your recollection of who did and did not make proposals is unclear?

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A That's true. I can't remember if Stephens, Inc. or T.J. Raney & Sons made oral presentations.
Q Did the AHDA board ever consult with the NASD or the SEC with regard to background on the firms they selected to do underwriting?
A Not to my knowledge. I -- you know, I don't remember such.
Q Do you have any knowledge of whether Collins, Locke & Lasater had any net capital difficulties in 1983?
A Sure don't.
Q You never heard that?
A No, sir.
Q Did there ever come a time when the Arkansas Development Finance Authority determined that either Collins, Locke & Lasater or Lasater & Company should not be included on the list of eligible underwriters to do offerings?
A I am not familiar with that if it was.
Q Were you ever aware of any discussions to that effect between board members?
A No, sir, I don't recall anything like

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that.
Q Mr. Wright, you said you have known the governor since you were about four years old; is that right?
A Yes, sir.
Q And do you consider yourself a good friend of the governor's, the former governor?
A Well, I -- my parents and his mother were close friends. My father was a physician, his mother was the nurse. And before they left Hope they were associated, as I guess you would say, since they were both health care professionals. And the -- we have always kind of kept in touch over the years. But we're not -- he doesn't call me when he comes to town.
Q Okay. Did he -- did he call you before your appointment to the AHDA board?
A No, sir.
Q You didn't have any discussions about it?
A No, sir, I did not personally have any discussions with the governor about my appointment to the board.

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Q Did he call you after your appointment?
A Somebody from his staff did, I'm not -- I don't recall him doing it.
Q Did you have -- between 1983 through 1986, did you have any discussions with him about the work you were doing at AHDA or ADFA?
A Normally the governor would make a meeting a year before -- at least come by before we would go into our board meetings. I can't recall if he ever stayed for one but, you know, it was no specific conversation other than coming by to say hello.
Q So he never called you up to ask you how the agency was doing?
A Absolutely not. I never had a conversation with the governor about the agency.
Q During 1983 through 1986, were you familiar with anyone in the governor's office other than Bob Nash?
A Nash might have had responsibility or liaison between our agency and the governor's office. I can't recall anybody else in the governor's office that I personally knew with the

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exception of a gentleman by the name of Brady Anderson. Seems like he was working in some capacity over there and I knew him several years before, so --
Q Do you know why you were chosen to serve on the AHDA board?
A Maybe because of our friendship from the years -- from past years. Maybe because of his ties to Hope and -- since he and I are the same age, we went to kindergarten together, we went through first grade together, kept up with each other over the years, friendship.
Q When you got the appointment, did you call to thank him or did you try to do that?
A No, sir. That's -- I guess that would be proper. I don't know.
Q When you got the call from the person from the governor's staff to tell you you had been appointed -- you were going to be appointed to the board, did they -- what was the contents of that conversation?
A I think I found out about it by reading it in the paper, that I was appointed. I don't believe

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and I can't remember, there again, if somebody from the staff called me or not. I'm sure they did, because you know they would need to notify you; right? I can't recall who it was or if someone did or --

Q Were you ever contacted by anyone in the governor's office during your tenure at AHDA and ADFA, did they ever inform you of a certain way the governor's office was leaning with regard to any underwriters participating in any issue?

A No, sir.

Q Did you have discussion about what the governor's office policy was with regard to ADFA and ADHA?

A No, sir.

Q Are you saying you didn't get any guidance from the governor's office at all during your whole time there?

A What do you mean by guidance?

Q Well, did --

A You mean the governor called me up and telling me he wanted me to vote for something a

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certain way?

Q We will start with that.

A No.

Q How about generally, did anyone from the governor's office give you an idea of what policies they wanted advanced or anything of any nature to give you guidance of what the governor's view of how to run the agency was?

A No, sir. No one from the governor's office, that even includes Bob Nash, never specifically stated how they wanted things done.

The staff over at the ADHA was a very confident staff and the board of directors were in so many cases. And everything took the recommendation of the staff on a lot of issues, as I'm sure a lot of agencies and companies and everything operate in the same way, since I was on a -- at board meetings once a month.

Q Are you aware of whether there are any communications between the governor's office and any of the staff members with regard to preference for underwriters expressed by the governor's office?

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A No, sir, I am not aware of anything like that.
Q Have you ever heard that happen?
A No, sir.
Q Do you know anyone by the name of Patsy Thomasson?
A That's the -- Thomasson? Yes, I do.
Q How about Patsy Thomasson?
A She was on the Highway Commission and then later worked for the governor or something. I don't know what order and when.
Q Were you aware that she was employed by Dan Lasater at any time?
A I don't know that I remember that.
Q Did you have any contact with her while you were a board member at AHDA or when it became ADFA?
A Again, she was probably at some board meetings. I am not familiar with -- I don't know her outside of a board meeting --
MR. FEUER: Mr. Wright, do you recall that Patsy Thomasson attended a meeting of the AHDA board or are you assuming that might have happened because

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Mr. O'Callaghan just told you she worked for Mr. Lasater?
THE WITNESS: I am assuming that might have happened; I don't recall specifically that she was at a board meeting. I know Patsy when I see her. But I don't know if I would know if she walked in the door today, because it's been a lot of years since I have seen her.
BY MR. O'CALLAGHAN:
Q During the time you were a board member at AHDA and ADFA, did you ever become aware that Dan Lasater was under investigation for criminal activity?
A Was it during that time that -- and you will have to tell me this, because I don't know, was it during that time he got in trouble over the -- what was it, drugs or something?
Q Well, when did you become aware of that and how did you become aware of it?
A Newspaper. I don't know when it was. I don't know what year it was.
Q Was this a subject of discussion between

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board members?
A No, sir.
Q No discussion between board members about the drug conviction of a president of one of the companies that was doing business with the authority?
A Doing business with us when he was convicted of drugs, I don't know.
Q You don't recall any conversations that went on about that even after the fact?
A No, sir.
Q Are you aware whether any other board members had discussions with Mr. Lasater during the time you were associated with the AHDA or ADFA?
A No, sir, I am not.
Q Do you know if any of them were friends of his?
A I don't.
Q Do you know if the governor contacted any other board members while you were there about underwriting business?
A No, sir. I don't know.
Q Have you ever heard that happen?

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A No, sir.
Q Are you aware of any influence at all that was exerted by the governor's office to have specific underwriters included in bond offerings?
A I'm not -- I don't remember anything specifically about the governor's office getting involved in that.
Q Did you have any -- you said you don't have any specific recollection. Do you have a general recollection that that might have happened?
A No, I am just trying to anticipate what you are leading to here.
I can't remember anybody -- my only conversations with people at the governor's office was generally during board meeting time, because I only got to Little Rock during -- once a month. And that would be Bob Nash and probably right before a board meeting, just saying hi or -- you know, I don't -- I don't remember anything specific about the governor's office requesting anything.
Q I was also referring to whether or not you know if they tried to make requests similar to that

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of influencing what underwriters would be chosen, not with just yourself but with other board members or staff members of AHDA.

A I don't recall that.

Q Were the staff members appointed by the governor as well? How did that work?

A I think the executive director or whatever they call him now, whether it is president or what, I think they were served as a -- appointment of the governor or the governor placed this person in there. I believe that's correct. I am not even sure about that. But I don't think any of the other staff members -- those folks are basically career -- people in that field.

Q Okay. Have you ever heard any reports that there was money laundering associated with any AHDA or ADFA bond offerings?

A No, sir.

Q Are you aware of any political influence that was exerted at all while you were at the agency with regard to bond offerings?

A No.

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Q Or any of the loaning practices of the agency?

MR. FEUER: Michael, the lending practices of the agency are not within the scope of the Senate resolution. Our resolution authorizes us only to look at bond underwriting contracts between ADFA and Lasater & Company.

MR. O'CALLAGHAN: Again, Mitchell, once again, the reason I asked the question was to develop a basis to understand whether or not there was a practice involved of using political influence in association with the agency, and that would tend to tell whether or not, more or less likely, the same type of political influence was brought to bear with the bond underwriting.

MR. FEUER: But the witness told you he is not aware of any political influence brought to bear on hiring underwriters. So it escapes me how any testimony about lending practices is going to shed any light on that.

MR. O'CALLAGHAN: He may not have been aware of any influence brought to bear with regard to

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the bond underwriting, but he may have knowledge about political influence brought bear with regard to lending practices.

MR. FEUER: He very well may but it is not within the scope of our resolution.

MR. O'CALLAGHAN: It shows a pattern of behavior consistent with --

MR. FEUER: Not when he's already answered your questions with regard to the area that is within our --

MR. O'CALLAGHAN: His knowledge may be limited to one area and another witness may have knowledge of political influence brought to bear with regard to the bond underwriting.

MR. FEUER: We are only questioning one witness at a time.

MR. O'CALLAGHAN: I understand that, but the witnesses' testimony taken collectively is what the committee is looking at.

BY MR. O'CALLAGHAN:

Q The question is whether you are aware of any political influence being brought to bear in

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connection with any loan activity of the agency.

A I sure wasn't.

Q You said you sure were not; correct?

A That's right.

Q It is just hard to hear you.

A I am not aware of it.

Q Have you ever heard that anyone at Lasater & Company attempted to provide the governor or anyone in his office with money or other types of remuneration in connection with AHDA bond underwritings?

A No, sir, I have not.

Q In connection with ADFA bond underwritings?

A No, sir.

Q Are you aware of whether anyone ever offered a member of the AHDA or ADFA board cash or other type of remuneration in connection with bond underwritings?

A I am sure not familiar with that, no, sir.

Q Have you ever heard that that happened?

A I haven't heard of it.

Q Have you ever heard that anyone in the

governor's office, or the governor, was offered cash or other types of remuneration in connection with a police radio bond underwriting?

A No, sir, I have not.

Q Are you familiar with the relationship that existed between Dan Lasater and Governor Clinton between 1983 and 1986?

A Am I familiar with what now?

Q Relationship between Mr. Lasater and Governor Clinton during 1983 through 1986.

A You mean there was a relationship, is that what you are saying? I don't know.

Q Were you aware one existed I guess is the first question.

Mr. Wright, did you hear that last question?

A Was I aware if one existed. I answered no, sir.

Q We didn't hear that here, sorry.

Are you aware whether -- rather, did any AHDA or ADFA board members fly on any Lasater loaned aircraft between 1983 and 1986?



A I am not familiar with it if they did.

Q Did you ever hear that it happened?

A No, sir, I can't recall if it did. I doubt it. I doubt that that's going to happen to any board member.

Q Did the -- did AHDA or ADFA have any closing celebrations with regard to certain offerings?

A Always had a closing dinner, usually in New York, following any of the big bond issues.

Q Who provided the transportation for those dinners?

A I would -- I would think that the agency -- I went to a -- if I went to a closing, for example, the ticket was bought for -- as far as I know now, bought by the agency. And with commercial, to New York for the closing, might have been the cost of the -- it might have been a cost of the issue, but it was paid for by the agency or the -- out of the closing costs. I am not too sure how that's done but it is paid for by the issue, I believe.

Q Did anyone fly in a private aircraft up to

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the closing dinners?
A To my knowledge they didn't.
Q Would that surprise you?
A It would be surprising -- for a board member to fly in a private aircraft?
Q Yes, sir.
A Yes, that would probably surprise me a little.
Q Why is that?
A Well, I -- I wouldn't think that that would probably -- when the agency is going to pay for the tickets, why would you fly any other way. I don't know.
Q During the period 1983 through '86, did you know who Roger Clinton was?
A Roger Clinton is Bill Clinton's younger brother.
Q Were you an acquaintance of his at this time?
A I knew who he was.
Q Did you have any knowledge of whether Dan Lasater gave Roger Clinton a job during this time

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period?
A I did not.
Q How about whether he loaned him any money?
A Did not know.
Q During the period 1983 through 1986, did you attend any fundraisers put on for Governor Clinton?
A During the period of '83 to '86? I've been to a couple of state fundraisers for the governor. I don't know specifically what the dates were.
Q Do you recall whether you attended a fundraiser in 1984 that was sponsored by Mr. Lasater?
A I don't know if I did or not. I have been to a couple of them in the state.
Q Did you ever attend any in Little Rock?
A Well, that would be where it was.
Q Okay. Are you familiar with a building called Tapnel Hall?
A No. I don't know where it is.
Q Okay.
MR. WRIGHT: Are you referring to Trapnell Hall?

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BY MR. O'CALLAGHAN:
Q Excuse me, I misspoke. Trapnell Hall?
A I don't know exactly where it is.
Q Have you ever been there?
A I can't recall that I have been to Trapnell Hall. I just don't know if I have been there or not. I have been -- I was at the Excelsior at a fundraiser at one time, it seems like I was at a fundraiser -- I can't remember the name of that other place. I don't remember outside of that.
MR. O'CALLAGHAN: I don't think I have any further questions at this time. Mr. Wright, the way -- both Mr. Wrights, the way this process normally operates is that I am an attorney with the Majority staff, I represent the Republican Senators, and Mr. Feuer is a lawyer who represents the Democratic Senators. And the Majority asks the questions first and then the Minority follows, and if I feel a need I will ask some follow-up questions, and on and on.
So let me hand it over to Mr. Feuer right now.

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EXAMINATION
BY MR. FEUER:
Q Mr. Wright, let me introduce myself again. My name is Mitchell Feuer. I am a lawyer on the Democratic staff for the Senate Banking Committee, and for purposes of this deposition, I'm going to ask you some questions on behalf of the Democratic Senators who serve on the Senate Whitewater Committee.
A Okay.
Q This will be a little bit repetitious, because I am going to cover some of the areas that Mr. O'Callaghan has already covered and I apologize for that, but those are the procedures we use.
If you don't hear my question, please let me know and I will restate it. If you don't understand my question, please let me know and I will rephrase it so that we understand one another.
A Okay.
MR. FEUER: Off the record for just one moment while the stenographer attends to her machine. I will let you know when we come back on.

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(Discussion off the record.)
BY MR. FEUER:
Q Mr. Wright, we are back on the record. Did the board of the Arkansas Housing Development Agency have a chairman?
A Did the board have a chairman? Yes, sir.
Q What were the duties of the chairman?
A To preside over the board meeting. Outside of that, that was it. That was his main function. He presided over the board meetings.
Q Did the chairman get an extra vote?
A Did he get to vote?
Q Did he get an extra vote?
A No.
Q Did he get to make any decisions without the rest of the -- without the full board?
A I don't think he did.
Q How was the chairman of the board chosen?
A It was chosen from the board -- by the board members.
Q And did the board members during the time that you served on the board have a practice of

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rotating the chairmanship among the members?
A Yes, sir. It -- as far as I remember, I don't recall anybody ever taking a -- more than a one-year rotation on it. There might have been a case of more than that, but I doubt it.
Q Who was the chairman of the board when you joined in 1983?
A I believe that -- it very well could have been -- because I remember Charles Stout's name being mentioned, it was probably Charles Stout. He was probably the first chairman of my tenure on the board.
Q And who had appointed Charles Stout to the AHDA board?
A I think that Frank White, the Republican governor, did.
Q Did Mr. Stout continue to serve as chairman in 1983, even after Bill Clinton had become governor of Arkansas again?
A I think maybe that was when he was appointed or elected as chairman, but it could have been the year before. I am just not for sure. He

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was chairman as I came on.
Q When did you become chairman of the board?
A I believe it was like in January of '85. I was chairman of the Arkansas Housing Development Agency board in '85. And that's when it changed, in '85, to increased authority, Arkansas Development Finance Authority. I remained as chairman through the rest of the year. It did it like midyear is when that legislation made it the Arkansas Development Finance Authority.
Q Were board meetings of the Arkansas Housing Investment Agency public?
A Yes, sir.
Q Was public notice given before those board meetings occurred?
A I believe that they had to give public notice every time the board met. I am not absolutely sure but I believe that there is some kind of a law that they had to post a notice of a board meeting.
Q And did that continue when the housing agency became the Development Finance Authority?
A I believe that's correct, sir.

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Q When Bill Clinton became governor in January 1983, did he have a policy of including a greater number of firms in state bond underwriting business?
A Did he have a policy of?
Q Yes, was his administration in favor of that?
A I'm not familiar if they were or not.
Q Did AHDA use a greater number of underwriters for bond underwriting business in 1983 and 1984 than the agency had used in 1981 and 1982?
A I would have to say that that's probably true, but I'm not -- I don't know that without looking back and seeing. I don't know. That's probably the truth.
Q Did the AHDA board want local firms to be included in bond issues?
A Yes, sir.
Q Why was that?
A We felt like that -- that this was a state agency and that the local underwriters and bond counsel and everything should be used to the extent

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that we could use them, and I think that was the feeling of most of the board members.

Q Do you recall Mr. Hardwicke expressing the view that AHDA should increase the number of underwriters that it used?

A I think that there were several board members, and I can't specifically recall if Mr. Hardwicke or Mr. Stout or -- any specific one but I have heard that said before that they would expand the number of local underwriters as long as it didn't increase the cost of the issue.

Q At the time that Collins, Locke & Lasater was added as an underwriter of multifamily housing bonds, was Collins, Locke & Lasater already an underwriter for the agency's single family housing bonds?

A I'm not for sure.

Q If I told you that minutes of an AHDA subcommittee meeting from February 1983 indicated that the Dabbs Sullivan, Division G.K. Baum Company, and Blyth Eastman, PaineWebber, T.J. Raney & Sons, Stephens, Inc., and Collins, Locke & Lasater had been

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chosen as underwriters for the single family bond program, would you have any reason to think that Collins, Locke & Lasater was chosen as an underwriter for the single family program at any time later than February of 1983?

A No, sir, if it says that in the minutes. Usually the minutes are correct.

Q Were Collins, Locke & Lasater and Stephens, Inc. competitors?

A Yes, sir.

Q When the AHDA issued bonds, did all the underwriting firms share those bonds among themselves?

A They -- they shared them in a way -- I think this is the way they did it, is they -- each firm took so many and were responsible for selling those bonds.

Q And if more underwriting firms were included, could that mean that each firm would have a smaller number of bonds to sell?

A That's -- that's true.

Q And if a firm has a smaller number of bonds

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to sell, is it likely to make less money than if it had a larger number of bonds to sell?

A Yes, sir.

Q And would the inclusion of Collins, Locke & Lasater as an underwriter in the multifamily housing program mean that Stephens, Inc. might have fewer multifamily housing bonds to sell if they had continued in this program?

A Yes, sir.

Q Mr. Wright, did you feel in 1983 that the board of the AHDA was an independent board?

A Did I feel that we were an independent board, that we were able to make decisions, is that what you are asking?

Q Yes.

A Yes, sir.

Q Have you learned anything since 1983 that makes you think that the board was not independent in 1983?

A No, sir.

Q When the AHDA board was selecting underwriters, did the AHDA board award business based

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on which political candidates the different underwriting firms had supported?

A I don't think that that's -- that entered into it. I'm not a -- I'm not a politician. I don't think that that was entered into.

Q Did the AHDA board select underwriters based on who could raise money for the state of Arkansas most cheaply?

A Well, I -- I would like to think that that's -- that's certainly the consideration that the board made.

Q Mr. Wright, were you aware at any time that private sector individuals or firms made recommendations to the governor regarding appointments to the AHDA board or the ADFA board?

A No, sir, I was not. When that letter was read a while ago, I never knew about that.

I -- I didn't know you make recommendations. I know some friends of mine down here had told me they recommended me for the vacancy that was coming open in 1983 on the Arkansas Housing Development Agency board. I was familiar with that

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board because I was in the real estate business, and that board was the one that provided first-time home buyer money for a residence in Arkansas. And so, like I said, a couple of friends of mine that lived down here, was the one that recommended me to the board, to my knowledge.

Q Were you aware that members of the state legislature made recommendations to the governor regarding appointments to those boards?

A I think that that might be a process, because generally speaking, boards and commissions -- commissioners from this part of the state are recommended by our state representatives and our state senator. Certainly carries a lot of weight.

Q Mr. Wright, as far as you are aware, when the Lasater firm underwrote bonds for AHDA and for ADFA, was the Lasater firm at risk on those bonds just the same as the other underwriters were?

A As far as I knew, yes.

Q And as far as you know, did the Lasater firm find purchasers for those bonds, just as the other underwriters did?

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A As far as I knew they found purchasers.

Q Have you ever learned anything to the contrary?

A No, sir.

Q Have any of the bonds issued by the AHDA or ADFA gone into default that you know of?

A Not that I know of.

MR. FEUER: I have no more questions at this time.

MR. O'CALLAGHAN: I just have a couple of follow-ups and we should be done soon.

EXAMINATION

BY MR. O'CALLAGHAN:

Q Would you say that becoming an underwriter for ADFA bond underwritings was a sought-after business to get?

A Would I think that it would be a sought-after -- an underwriter on the issue?

Q Yes, sir.

A I suppose it would. They -- they have potential to sell bonds and their salespeople can make money and they get -- there is some kind of an

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underwriting fee that they get to split with the other underwriters. I suppose that that would be incentive to be an underwriter on the -- on the state issues.

Q Okay, was the board ever lobbied by any politicians of any sort to steer business one way or the other?

A I do not recall any politician lobbying us.

Q For the state bond business at all?

A I don't recall that.

Q Anybody recommend friends that are in the business to possibly join in on the underwriting?

A Could you repeat that question?

Q Sure. None of the politicians would make recommendations as to what firms they thought would be good for the agency to use?

A I certainly don't remember anything like that.

Q I will take you back one more time to the April 19, 1983 special executive board meeting where you made the motion. It is on page 3 that Mr. Wright made a motion that "Collins, Locke & Lasater be added

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to the underwriting team for the agency's proposed 1983 multifamily issue." Do you -- did you recall ever making a motion to recommend any other firms to participate in an issue?

A I don't recall specifically, but it is very possible that I did.

Q So you don't recall how it came to be that you were the one that made the motion to include them in the issue?

A No, sir. Obviously I felt that they should be added to the issue.

Q Do you recall why you felt that?

A No, sir.

Q Do you know how many people Lasater & Company had working in their -- or Collins, Locke & Lasater had working in their underwriting department in 1983?

A No, sir.

Q Did you know if there was anyone other than Mr. Drake working in the department?

A No, sir, I don't.

Q Is that something that you looked at to see

what kind of staffers the underwriting firms had in their underwriting departments?

A I am sure that we reviewed that but I'm not -- I certainly don't remember.

MR. O'CALLAGHAN: I don't have any further questions at this time. Well, Mr. Wright, thank you very much for your time.

We will contact you soon to let you know whether or not the Committee intends to call you next week for the hearings which are occurring.

THE WITNESS: Okay.

MR. O'CALLAGHAN: Thank you very much. Have a good day.

(Whereupon, at 3:50 p.m., the deposition was concluded.)

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GEORGE H. WRIGHT, JR.

CERTIFICATE OF NOTARY PUBLIC & REPORTER 68

I, JOANNE LIVERANI , the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Joanne Liverani

Notary Public in and for the
District of Columbia

My Commission Expires JULY 31, 2000

# DEPOSITION OF GEORGE E. LOCKE
# IN RE: S. RES. 120

**THURSDAY, APRIL 25, 1996**

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER
DEVELOPMENT CORPORATION AND RELATED MATTERS,
*Washington, DC.*

Telephone deposition of GEORGE E. LOCKE, called for examination pursuant to notice of deposition, at 1:10 p.m. in Room 640–A of the Hart Senate Office Building, before JOANNE LIVERANI, a Notary Public within and for the District of Columbia, when were present:

MICHAEL P. O'CALLAGHAN, ESQ.
Majority Associate Special Counsel
MITCHELL FEUER, ESQ.
Minority Counsel
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Building
Washington, DC 20510
On behalf of the Committee.

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PROCEEDINGS

MR. O'CALLAGHAN: Good afternoon, Mr. Locke. My name is Michael O'Callaghan. I am associate special counsel for the Special Committee, and with me is Mitchell Feuer who is also counsel with the Banking Committee. We will be conducting today's deposition.

This deposition is being conducted pursuant to Senate Resolution 120. The Resolution establishes a Special Committee administered by the Banking Committee to conduct an investigation involving Whitewater Development Corporation, Madison Guaranty Savings & Loan Association, Capital Management Services, Incorporated, the Arkansas Development Finance Authority and other related matters.

This deposition is in advance of public hearings which are going to occur next week and there is a possibility you will be asked to testify at those hearings.

Today Mitchell and I will ask you a series of questions. We will ask you to testify under oath. If you don't understand a question at any

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time, let me know and I will be happy to rephrase it. And also because we are going over the phone today, if you have trouble hearing a question, please ask us to repeat it and we will repeat it.

THE WITNESS: I have a little hearing problem but that's okay. I hear you fine.

MR. O'CALLAGHAN: We will try to speak up. If you need a break at any time, we will be happy to accommodate that as well. We have a stenographer who is preparing a record of questions and answers.

The deposition will be treated as committee confidential until commencement of the hearings. Prior to the hearings, if you are called to testify, you will be given the opportunity to review the transcript of your deposition to make note of any errors in transcription on an errata sheet, and if you are called to testify you will be given a chance to review your transcript before the commencement of the hearings.

You may be represented by counsel today. Do you understand that?

THE WITNESS: Understood, yes.

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MR. O'CALLAGHAN: Are you represented by counsel today?

THE WITNESS: No, I am not.

MR. O'CALLAGHAN: Any objection to the form of the question will be noted for the record and objections based on the ground of privilege -- objections may be made on the basis of grounds of privilege or relevance, and the Committee Chairman may rule on objections where the witness refuses to answer a question.

THE WITNESS: Okay.

MR. O'CALLAGHAN: We are going to ask you to be sworn in via telephone, and I believe you agreed to that earlier.

Could you please swear the witness.

THE WITNESS: Yes, I am here.

Whereupon,

GEORGE E. LOCKE

was called as a witness and, having first been duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. O'CALLAGHAN:

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Q Could you please state and spell your full name for the record.

A My full name is George Edward Locke, G-e-o-r-g-e, E-d-w-a-r-d, L-o-c-k-e.

Q Mr. Locke, did you speak with anyone prior to this deposition about the deposition?

A Not really. Whenever -- the first gentleman that called me, what was his name? One of the gentlemen that called me earlier.

Q Probably Mr. Brenner.

A Brenner, I called Mr. Lasater to hear if he heard of Mr. Brenner; we have all kinds of phone calls down here. He said he thought he recognized the name and that's about all I said to him. And Mr. Collins, since we are here in the same office and the night that Mr. Brenner called him -- or the day he called him -- and called me -- I was at home and Mr. Collins called to tell me that Mr. Brenner was looking for me and would probably be calling me. And that's about all that's been said about that.

I know you-all -- I know Mr. Collins has already given a deposition to you-all, I think a

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couple of days ago, but we on purpose have not discussed anything that you discussed with him because I thought the kind of question would be coming. So I have not discussed it with him, no.

Q Did you have any discussions with Mr. Lasater about any testimony he's given to the committee?

A No, no, that was on purpose, too. When I asked him about it, he was very short on the phone with me and says George, I'm not going to talk to you about anything; you are on your own. I said fine. That was it.

Q Have you spoken with anyone else who has been deposed before the committee or given testimony?

A Not to my knowledge. I really haven't talked to anybody so I don't guess I have. I don't know who has appeared before your committee, but I haven't talked to anybody about it, no.

Q Did you speak with anyone about what the anticipated substance of your testimony would be here today?

A No. I read in the -- you sent me a copy of

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the resolution.

Q Yes, sir.

A And I saw where it looked like where you was talking about Lasater and some bonds and I thought that's what you were going to talk to me about, but I don't know for sure that's what you are talking to me about.

Q Did you have any discussions?

A No discussions.

Q For purposes of this -- I know it is difficult, I do it all the time, but if you could try if you can to wait until the question has been completely asked before you begin responding.

A I will do that.

Q That would be very helpful, thank you.

Q And are you currently employed?

A I am employed.

Q And where are you currently employed?

A With DAC Technologies, D-A-C Technologies, Inc., Little Rock, Arkansas.

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Q What is the address for DAC Technologies?
A It is 3905 West 81 Street, Little Rock, Arkansas 72209.
Q What is your present position there?
A I am in charge of international sales. Assistant vice president of international sales.
Q What was your -- where were you employed between January 1982 through October 1986, if you can give me a description of your employment history during that time period?
A '82, I don't know -- there was a company called Collins, Locke & Lasater. I worked there until that was -- until Mr. Lasater bought that out. And then I worked for the Lasater Company, up until '86, yes. That was my primary -- that was my primary occupation.
I had other interests in other things, but some things up in Hamburg, Arkansas. I had an insurance agency down there at that time that I maintained but that was about it. And then I was in the Arkansas Senate until January of '83, which is kind of a part-time deal in Arkansas.

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Q You were a state senator?
A Yes, state senator.
Q When were you elected to that office?
A The year was 1970 I was elected, and started serving in January of '71.
Q Was there any reason why you left the Senate?
A I got defeated. I didn't get enough votes.
Q That's how it usually happens.
A Yes, that happens.
Q Okay.
A Actually my district was down in southeast Arkansas -- I don't know if you guys have been in Arkansas or not -- and the capital is in the center of the state and I was spending so much time up here, I won't say I lost contact, but I wasn't down there like I always was. And I had other interests, too, but I got defeated.
Q Were you ever a partner with the Collins, Locke & Lasater firm?
A I was the Locke in that. For a period of time.

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Q And how did that -- who were the principals of the firm?
A At that time?
Q Yes, sir.
A David Collins and Dan Lasater and George Locke. That was when it started, yes.
Q And did each partner have an equal equity investment?
A At first, yes. At the beginning, yes, it did for a period of time.
Q Did that come to change?
A Yes, it came to change. I can't tell you exactly when, but maybe '82, somewhere along in there. I got in some other business, related business with my son-in-law and had to pledge my stock to borrow some money for that venture, and eventually I got in financial problems and couldn't pay that.

I think Mr. Collins and Mr. Lasater, when the bank was going to foreclose on the stock, bought the stock back from the bank and I think they bought it back equally. I am not sure of that but I think

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they did. But I continued to work there at that time.
Q When did those proceedings take place?
A When did it take place?
Q Yes, sir.
A I really don't know for sure when they were.
Q Was that in 1983?
A '82 or '83. I really don't remember.
Q Was that a Chapter 7 proceeding?
A Oh, no. You are talking about my bankruptcy.
Q I'm sorry.
A You are getting ahead of yourself.
Q Okay. Okay, go ahead.
A This is when I got a little trouble, and I borrowed some money and anyway -- no, this was before the bankruptcy.
Q Okay, what were the circumstances surrounding that?
A The stock transfer?
Q Yes, sir.

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A I had pledged my stock to a bank here in town, to borrow funds for my son-in-law to go into the car business, the automobile business. And that got into a little trouble and I didn't have the money to pay the bank. And the bank was going to foreclose on the stock on Collins, Locke & Lasater and Mr. Collins and Mr. Lasater made arrangements, you know, to pay off the loan and buy the stock back and took it back into the company. And I think they took it back in their names equally, I think. I am not sure how it came back but I think they bought the stock.

Q You don't recall when that occurred?

A I really don't. I think in '82. I wouldn't swear to that.

Q Was that an event that was filed with the securities regulators?

A With what?

Q With the securities regulators?

A I don't know anything about it, no. Just a private transaction.

Q When that occurred, you were no longer a

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partner; is that correct?

A I was no longer a partner. I was an employee. I worked there.

Q What was your position at that point? Were you a salesman?

A I think -- I think I was senior vice president and I worked in the firm and I was part salesman and I did a lot of public relations work for the salesmen with their customers. I would go with them to see their customers and probably help them work with their customers; that's probably what I did there.

Q During the time you were at the firm between 19 -- say '82 through '86, was the firm of the subject of sanctions by any regulatory agencies?

A I'm not sure exactly what sanctions were there. I really don't know. I wasn't really that involved in it, but I don't know. I don't know of any -- I don't know if there was.

Q Do you recall whether in 1981 the firm was sanctioned for excessive municipal bond markups?

A No, I am not aware of that. I don't

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remember it.
Q In 1982 were you aware of any net capital problems the company had?
A '82?
Q Yes, sir.
A It is still Collins, Locke & Lasater?
Q I believe so.
A I think from time to time we had some -- there were some conversations about net capital problems.
Q Do you recall if that happened more than once?
A No, I don't. I don't know how many times it happened.
Q Have you ever personally been fined or sanctioned for any securities laws violations?
A I really can't remember. Seemed like there was one complaint back there. I don't know when I ever got sanctioned or fined. I really don't remember.
Q Did you have to pay a fine for any regulatory agency for securities law violations, do

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you know?
A I never paid any myself, no.
Q Do you know if the firm ever paid any?
A I really don't know.
Q The period of time between 1982 and October 1986, did any of the principals at Collins, Locke & Lasater or Lasater & Company file for bankruptcy?
A In '82?
Q Yes, sir, '82 through '86.
A George Locke did, who had -- at the time I filed the bankruptcy I wasn't principal at that time. That was in the spring of '83. It was involuntary Chapter 7.
Q Again between the time 1983 through 1986 -- or actually let me rephrase the question.
During the time you were at the firm, did any of the principals at Collins, Locke & Lasater or Lasater & Company have any conversations with Beverly Bassett while she was securities commissioner?
A In what years was that?
Q Just during the time when she was securities commissioner?

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A Oh, I had a conversation with her before she was appointed securities commissioner. And that was the only one I remember. That was the only thing I was ever involved in with her.
Q Are you aware of any conversations that anyone at the firm had with her while she was securities commissioner?
A I am not aware of it.
Q Was there a person at the firm who had liaison responsibilities with the State Securities Commission?
A I don't -- I really don't know. We formed a -- I don't know what we even called it now, a department kind of. It was interested in writing bond issues and things of that nature, underwriting department I guess you would call it maybe. And there was -- as I remember, there was a gentleman, seemed like it ended up being Michael Drake, that headed primarily our government relations and bond department, et cetera.
Q He was in charge of government relations and underwriting?

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A Yes, essentially Michael Drake headed up that.
Q Are you aware whether Mr. Drake had any communications with anyone at the State Securities Commission with regard to inquiries into possible violations of securities laws at the firm?
A I am not aware of that.
Q I have before me a document, multipage document, bears the Bates stamp FBI 00003560 through 3568. And it is a copy of an FBI 302 form which is a transcription of an interview conducted on -- at least it was dictated on October 16, 1986, and it refers to an interview that was conducted of you in and around that time period.
A When was that?
Q October of 1986.
A Okay.
Q Do you recall being interviewed by the FBI during that time period?
A I think that's the time, must have been around the time that we had our problem with cocaine stuff, yes, I remember that. I remember meeting with

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them one time. I remember meeting with them.
Q Part of the transcription of that interview, the -- on the first page it reads "Mr. Locke made use of cocaine during business meetings when David Collins and Dan Lasater were present."
Is that consistent with your recollection of --
A Now, what did I say?
Q It says "Mr. Locke admitted the use of cocaine during business meetings when David Collins and Dan Lasater were present."
MR. FEUER: Mr. Locke, this is Mitchell Feuer. Before you answer I would like to say two things. First of all, because you don't have the benefit of this document in front of you, Mr. O'Callaghan is not reading from a transcript of any --
MR. O'CALLAGHAN: But --
MR. FEUER: It is not a transcript, Michael, it is somebody's typewritten -- a typed version of somebody's notes after conversation with

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you.
THE WITNESS: Well --
MR. FEUER: Let me finish, sir.
And the second thing I will point out is that the authority of this committee to conduct an investigation is limited by the terms of the resolution. Now that you have been provided a copy of. And the resolution authorizes this Committee to investigate bond underwriting contracts between Arkansas Development Finance Authority and Lasater & Company. It does not give us authority to investigate anything having to do with Dan Lasater or Lasater & Company, or anyone else.
Now I am not going to instruct you at this time not to answer Mr. O'Callaghan's questions, although you have that right to object to them, because I think that it will -- if I instruct you not to do that at this time it will just cause more time and trouble on your part. But we don't have the authority to investigate -- our charter is not to investigate cocaine use or anything in the world that pertains to Dan Lasater or Lasater & Company.

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THE WITNESS: I wouldn't think so. I don't remember saying that. I can tell you that now I don't remember saying anything like that, because I don't believe it is the truth.

MR. O'CALLAGHAN: For the record, Mitchell -- for your edification and for the record, the reason I brought this -- the notes of this statement, which is done by the FBI investigator, was to ascertain as to what the environment was and the practices that were occurring at the firm during the time that they were doing state business and doing ADFA bond contracting.

THE WITNESS: I don't remember anything like that happening during business hours.

BY MR. O'CALLAGHAN:

Q You don't recall cocaine being used in the office during business meetings?

A No, no, I don't remember that. I don't recall anything like that.

Q You mentioned earlier there came a time when a gentleman by the name of Michael Drake was hired by the firm to do underwriting; is that right?

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A That's what my recollection is. He had something to do with that.

Q Do you recall how he came to work for the firm?

A I think he was working in Memphis, I believe, and he came and interviewed for the job. I don't remember. I wasn't involved with the hiring of him but I think he was interviewed and hired for the job.

Q Do you recall why he was brought in by the company?

A Well, we had made a decision, I think, to try to get into underwriting and to get some expertise in it. And somehow Michael Drake's name came up and he was recommended and he applied for the job and he was hired. It is about that simple.

Q And the company was interested in getting involved in underwriting for state bond issues?

A We were interested in getting into that phase of it. We were primarily in the secondary market; we were growing in it. And we thought -- we were growing in the secondary market, we decided we

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would try to get into the underwriting department underwriting business. And there were a lot of housing issues, et cetera, coming into the state and we weren't equipped to do that, so we would beef up and hire up. And the firm was growing and we hired Michael Drake to head up that department, as I remember.

Q Do you recall how many other people were employed in that department?

A I really don't know.

Q Did you have any interaction with the activities of Mr. Drake, with regard to his underwriting?

A Very little.

Q How would you characterize your interaction in that -- with Mr. Drake with regard to underwriting?

A From time to time he would -- I just knew what he was doing and what issues were coming up. He just brought the information -- he didn't bring it to the whole board. We would know what Michael was doing.

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Q You mentioned before that he was also head of government relations; is that correct?

A I am not sure what his title was but I think he handled that.

Q Did he ever seek your assistance in his role in dealing with people in state government with regard to lobbying efforts to get state bond underwriting contracts?

A Not that I remember.

Q During the period, again the same period, January '82 through -- actually, do you know Bill Clinton?

A Do I know him?

Q Yes, sir.

A Yes, I know Bill Clinton, yes.

Q Have you ever met him?

A Have I ever met him? Yes, yes.

Q When did you first come to know him and meet him?

A I believe I met Bill for the first time when he was running for governor the first time. And then of course I met him when he was governor because

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he was governor the same time -- first term when I was state senator, in 1981, I believe. Now wait a minute, he must have been elected -- because Frank White -- maybe '79. What was the first year he was elected governor?

MR. O'CALLAGHAN: I believe that's right. I don't have the --

THE WITNESS: I think Bill was, he was in it for two years and then Frank White beat him. And he came back and won again in '82, I believe, and he started serving again in '83.

BY MR. O'CALLAGHAN:

Q Did you ever work on any Clinton campaigns or inaugurals?

A No.

Q Did you ever make any contributions to any Clinton campaigns or inaugurals?

A I don't remember. I probably gave money for a contribution to the campaign. I probably did.

Q During the period January '82 through October of 1986, did you have any contact with the governor?

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A From '82, yes, I had contact with him from time to time. Yes.

Q What would be the circumstances of your contact with the governor?

A Well, when I was a senator, it had to do with legislation. When I was at the capitol representing my district and different government functions -- and we attended a lot of functions together and different things. We weren't buddies-buddies for your information. You know different social functions and we would both be attending. Legislating, him being governor, I saw him quite often. Not on an intimate basis. You know, nothing like that. That was '82 to '86.

One time I remember, after Bill got defeated, it was a short time after the election, in fact I want to think maybe the next day or a short period of time after, I am not sure whether he contacted me or one of his people contacted me, and I can't tell you who it was or what, but the contact was made, and he was ready to run -- he was back running again. I mean he didn't take a day off, I

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don't think.
And there was another group in town, still very strong, very strong then, still very strong, Stephens group, and they pretty well had controlled -- I use that word loose, but pretty tightly involved in most issues of the state, or bond issues up to this point, before we kind of got involved there a little bit.
They had supported Frank White, who had defeated Bill, and so after Frank defeated Bill, immediately he began to regroup to rerun. And he did not know Dan Lasater at that time. And somebody contacted me, and would I set up a meeting where he could visit with Lasater and see if Dan would support him in his efforts to regain the governor's seat. And I did that and we had a meeting. I remember very little about it. It was a pretty informal meeting. Just wanted to meet each others. Wasn't big things discussed. It was a case of meeting each other and I do remember that, that one particular meeting.
Q Do you recall where the meeting took place?
A Where?

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Q Yes, sir.
A It took place in a place called Quapaw Towers in an apartment.
Q Whose apartment was it held?
A I believe Dan -- I believe Dan -- it was Dan's apartment, I believe.
Q This was in 1980 after Frank White took office?
A A day or two after the election, like in November. I mean, I figure Bill would be somewhere vacationing; he was running. I was shocked he wanted to have this meeting but he wanted to know what he did wrong, and taking advice more than anything else, and trying to gather support.
So that's how it took place. The reason I remember it so well -- it was late in the afternoon, like 5:00, something like that, we got together after work -- was that after about an hour, Bill kept -- he was concerned he had to call Hillary and tell her he would be right on home; every 15 minutes he would say I will be right on home. That was about the most notable thing about the meeting.

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Q Every 15 minutes?
A If you know the President well, he likes to talk. There was nothing decided there and nothing to talk about but generalities.
MR. O'CALLAGHAN: Off the record.
(Discussion off the record.)
BY MR. O'CALLAGHAN:
Q Do you recall how long the meeting took?
A I would say a couple of hours. Like from 5:00 to 7:00.
Q Do you recall any of the specifics of the conversation?
A I really don't. You know, it -- we talked about what he was going to do professionally. He was -- he didn't know either at that time. He had some options what he was going to do, but the main thing was talking about running for governor, and wanted us to tell what mistakes we thought he had made and kind of advise him and if he decided to run for another term, would we support him.
Q And what was your response?
A Well, we didn't -- we told him we would

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think about it, because Dan wasn't political at all, he didn't know anything about politics at all. And I wasn't going to commit; I wasn't either. And we told him we would consider it. And what ultimately happened, he did run and we did support him.
Q You mentioned earlier that Stephens, Inc. had supported Mr. White?
A Yes.
Q Did he bring that up in the conversation?
A I don't remember. It was a pretty well known thing. It wasn't a secret.
Q Did he explain to you the reason he was meeting with you because Stephens supported White and he was looking for support from another bond --
A I am not sure he said that. I think he -- I think he knew he probably couldn't go there and get support. I just imagine that.
Q You don't recall him mentioning that or that coming up?
A I don't remember him saying that. I don't remember much about the conversations.
Q Do you recall having discussions about

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economic development in the state; how to --
A That could have been mentioned. We talked about a lot of generalities about the state and what he thought would be good for the state and so forth and what he had planned, but I don't remember any specifics.
Q Was this the first time that Mr. Lasater and Mr. Clinton met?
A As far as I know. They never had talked or anything up until that time.
Q Was Mr. Lasater familiar with Roger Clinton at that time, do you know?
A I don't think he was.
Q Do you know if he was familiar with Mr. Clinton's mother, Ms. Kelly?
A At that time?
Q Yes, sir.
A Not to my knowledge.
Q Do you recall whether any illegal substances were present during that meeting?
A I don't understand you.
Q Illegal substances is the question, whether

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there were any illegal substances present at the meeting?
A Illegal substances?
Q Yes, sir.
A No, no, not to my knowledge there wasn't. I think we had a cocktail, but there was no illegal substances there.
Q We all know there is nothing illegal about a cocktail.
A No, I don't think so.
Q After the meeting with the governor, who was then out of office, did he follow up with you-all after that meeting? Do you recall if he --
A I don't remember exactly what happened and what was the order. Of course you know Mr. White had two years in office.
Q Yes, sir.
A And I believe -- I believe Bill went and worked for a law firm in town and was practicing law, as -- I think this -- and around the state getting support to run, but not on a full-time basis. But I can't remember what happened after that point in

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time, whether there was another contact made or whatever.

Q Was there a person at the firm who he generally would contact if he wanted to contact somebody there, either you, Mr. Lasater or Mr. Collins?

A I don't know of anybody in particular he would contact. I don't remember him ever calling me necessarily. He had campaign managers, you know, campaign people that would probably make the contact. That's usually the way it is done.

Q Do you recall who that might have been?

A I don't have any idea. I don't.

Q Do you recall whether Governor Clinton ever made any visit to the Quapaw Towers apartment on any other occasions?

A That's the only time I remember, is that one time.

Q Did he ever stop by the offices of Collins, Locke & Lasater during the period '80 through '82?

A It seems like to me he came by one time for a short period of time, we had a little -- at the

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office there, kind of had a little meeting. And he came by and just spoke to our staff and -- you know, for about 15 minutes one time. And I just barely recall that. I think he did that. I remember Bill coming one time to the office.

Q Was this when he was running for governor?

A I think that's when he was running for governor, yes.

Q That was before he was elected in '82; is that right?

A Yes, I would say it was before he was elected back in '82. It would probably have been in '82 probably, I guess.

Q Did he stop in and meet with you, Mr. Lasater or Mr. Collins or one of those two gentlemen?

A Except this one time.

Q Other than the talk he gave to the staff, did you-all meet with him separately.

A I don't remember meeting with him separately. I don't remember us having any big closed-door meeting the day he came to the office. I

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just don't remember.
Q Did you-all ever go out to dinner or for drinks at any time during this time period?
A I didn't. And I don't know that Mr. Lasater ever did.
Q How did you first come to know Mr. Lasater?
A I don't recall the year. It was back in the early '70s, or '70s. I am sure you all know about Mr. Lasater. He was very big in the horse racing business at one time, and of course Oakmont Lawn race track was a very popular spot in the spring; they have the racing over there. They had his stable over there and he was pretty dominating over there. I had a couple of old nags I messed with and so I had a friend over there.
And one day I went to the races, and he said there is a guy here you ought to meet. I was single at the time and Dan was single at the time, says there is a guy you ought to meet. He has been out to the house, likes my wife's Mexican cooking. I said who was that. He said Dan Lasater. I knew who Dan was, I had read about Dan. Dan was a popular

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figure in racing and everybody knew about Dan in the race track. He said I'll invite you over one night, you bring a date and Dan bring a date, and that was a good idea.
We were at the race track one day, and we were walking down the race track one day and ran right into Dan, and he was on his way to the bar and he said, John Starr, J-o-h-n, S-t-a-r-r -- not the reporter down here but another guy. We met, Dan said let me buy you a beer. And we went back to the bar and had a beer and John told him about having -- going to have supper. He said fine.
So that's how I met him. And we went to dinner that night at the gentleman's house and became friends and that's about it. That's how it started.
Q Whose idea was it to start the company, Collins, Locke & Lasater?
A That was David Collins's idea. David was in the investment banking business in Memphis, working for another firm over there, and he got enthused about the business and he would call me from time to time and say we need to start our own firm,

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and so forth. And so he started coming to Little Rock to talk to me. At that time Dan and I had started a little hamburger thing. Dan started; I was trying to tag along.

And there was a conversation that Dan and I were having and finally Dan said I am tired of you talking about it; if you are going to do it, you're going to do it. If you aren't going to do it, don't talk about it anymore.

So just like that we started it and we all put up a certain amount of money and Dan and I thought we would be passive investors and Mr. Collins was going to run the firm, and of course the -- and Dan and I were going to be passive investors. And we started out like that, very small. And it kind of grew and grew and we all became more involved as the firm grew.

Actually it was Mr. Collins's idea to start an investment banking firm because Dan or I, neither one knew a lot about it at that time.

Q Did there come a time when Mr. Lasater was more than a passive investor?

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A Yes, as we grew. And he had to -- he invested more funds into it, more money into it because we were growing because it was a capital intensive business; the better you do the more money it takes, and our sales group and et cetera. And of course Dan had the largest stake to put into it, much more than Mr. Collins and I did. So as he became more involved, he put more of his money into it.

Q Around what time period did he become more involved?

A Probably about '83, I guess, maybe. Of course you know the history, that he bought Mr. Collins out. I think that was in '83, wasn't it?

Q During this time --

A Maybe I am getting ahead of you guys. That's when he really got involved was when he bought Mr. Collins out.

Q Now, between -- during this time period in the early '80s and through the '80s, would you consider yourself a good friend of Mr. Lasater?

A In the early '80s, yes. We were pretty

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inseparable almost.
Q How long did that continue or does it still continue?
A Until about '86. Well, actually I thought about it, '85, late '84, '85 we weren't as close as we had been.
Q During this time period, '84 through '85, '86, what was the nature of Mr. Lasater's relationship with the governor? He met him I guess back in 1979 or 1980?
A Yes.
Q And then in and around 1982, what was the state of their relationship?
A I would say --
Q Pretty good friends?
A Whatever the relationship they had was primarily -- the most -- when Bill first got back into office, like '83, somewhere along in there, '84. I don't know what it was at that period of time, because I was out of state in '83 and then I moved to Chicago in '85, and -- I don't know what it was.

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Q The 1983 time period you were still at Collins, Locke & Lasater; isn't that right?
A I don't know when that dissolved. I am trying to think. I don't know when that dissolved.
Q You were still working with Mr. Lasater?
A Yes, yes. Actually when he bought out Mr. Collins, I still stayed with Lasater & Company, doing about the same thing I was doing.
Q How often would you say during this time period that Mr. Lasater saw Mr. Clinton? How often?
A At what time period?
Q 1982 until -- let's go 1982 to 1983 if you can compartmentalize it like that.
A I would say very infrequent. I think -- because I was with Mr. Lasater almost all the time and we had a party in Hot Springs once at the end of the racing season and I believe the governor came to that with about 25,000 other people, so it wasn't a big deal.
Q That's an exaggeration; right?
A What's that? You know what, I bet there were 25,000.

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Q At the track?
A At the track, but we had a party and I think everyone came to the party, I think. It looked like it. You couldn't -- it was a lot of people there, I will tell you that. But anyway, it was -- you know, I am trying to be very candid with you because I think it is important to know this. They were not bosom buddies and they were not speaking on a daily or weekly or monthly basis, to my knowledge. To my knowledge, I will say this, and I was with Dan 90 percent of the time, so I think I would know if they were having long intimate conversations.
Q With regard to the business of the company, are you aware of any conversations that Mr. Lasater had with the governor with regard to the company's interest in doing business with the state?
A I really was not. I was not involved if there was any.
Q In and around 1983, how many times would you say that Mr. Lasater and Mr. Clinton met with each other, or at the same social events?
A 1983?

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Q Yes, sir.
A I have no idea. But it was totally infrequent, I can say that.
Q Can you give an estimate between 1983 and 1986?
A I will say the same thing, very infrequent. I would say very few times. I don't know how many of them. I don't have any idea.
Q How about your contact with the governor during that time period?
A Not very often. I was out of politics at that time. Let's see. I moved to Chicago in '85, '86. I don't remember any times I was with him during those periods of time.
Q Did he ever attend any of the company's Christmas parties?
A Did he ever go to the Christmas parties?
Q Yes, sir.
A I remember the Hot Springs party, the racing track party. I don't remember -- I am not saying he didn't come but I don't remember him being there.

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Q Okay.
A He could have been there. I just don't know. I don't remember.
Q Was the party at the race track a Derby Day party?
A Yes. It was a Derby Day party. Yes.
Q During the period 1983, say through 1985, were you familiar with Roger Clinton?
A '83 to '85? Yes, I knew Roger.
Q How did you know Roger?
A I don't know how I met Roger. I can't answer that question. He just was around.
I don't know -- I don't know how I met Roger. I don't know how I first met him. Because he was Bill's brother, not that he was around Bill that much. Probably just a social event. I don't really know how I met Roger.
Q Would you say you were friends with him during this time period?
A We were acquaintances, he was kind of a friend, yes.
Q Did you and Mr. Lasater spend time with

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Mr. Clinton from time to time, Roger Clinton?
A Yes. He was around -- he came to parties, different things at that time. I know Roger was a big racing fan at that time. And he liked to talk to Mr. Lasater about racing and what have you. I think even one time he went down and went over Mr. Lasater's farm one summer sometime.
Q Do you know how he came to work for Mr. Lasater?
A No, I don't.
Q Were you ever aware that the governor asked Mr. Lasater to hire Roger Clinton?
A I was not aware of that.
Q Are you aware whether Mr. Lasater ever loaned Roger Clinton money?
A I am aware of that.
Q How did you become aware of that?
A Well, we were -- we had offices in Florida at that time, in Fort Lauderdale. And I -- one day we were supposed to be flying down to Florida for a meeting, and we were leaving the building to go catch the plane to go to Florida, about midday, noon-ish or

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thereabouts. And Roger came to the front door in kind of a panic, and he pulled Dan off to one side and they had a conversation, and a very short conversation, and we left.

I didn't know what it was all about at the time. I just knew Roger looked like he was in a hurry, a panic, and Dan was a little irritated handling what he had to deal with. He was patient at times, but we were already late and here was Roger running in with a problem, and I had no idea what it was. And later Mr. Lasater told me Roger had a problem, and had something to do with a drug problem and he wanted to borrow some kind of large sum of money; it was more than 20-something thousand dollars or something like that.

And Dan said Roger, no way. He said what do you have to have. And Roger came up with another number, and maybe $8000, I got to have 8000. And Dan just -- that was a whole lot back then. It wasn't a lot of money to him, although it is a lot of money. Well, Roger, go upstairs, and he called -- cut Roger Clinton a check for $8000, something like that. And

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that was about the size of it. And that's exactly how it happened. That's my recollection.

Q Are you aware whether Mr. Lasater ever contacted the governor to let him know about the loan?

A I don't know anything about that. No, I don't know that. It wouldn't have been his nature to do so, I don't think. But I don't know.

Q He didn't call out of concern to tell him about his brother's problems?

A I don't think Dan would have volunteered it. I guess if the governor called and asked him, he might have told him, but I don't know. I don't really know.

Q Are you familiar with anyone by the name of Patsy Thomasson?

A Yes, I know Ms. Thomasson.

Q How do you know Ms. Thomasson?

A You know how I know Ms. Thomasson? Patsy I know a long time. We dated about five years, back in -- oh, golly, in the '70s. And she was from my district at that time and I think she was working for

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Mr. Mills at that time in Washington -- I don't know -- maybe she was or wasn't. And we met. Through a consequence of events we started dating and we dated about five years and that was it.

So, yes, I do know Patsy. I don't have any contact with her now but I did know her.

Q Were you dating at the time you were in business with Mr. Lasater?

A Yes.

Q Was she working at the firm at any time?

A No. Wait a minute now. Let me think about that a minute.

Q Okay.

A I don't think I was dating her during the time I was -- we were in the business. I dated her back before that time, I think. As I am trying to get that straight, because I believe I dated Patsy -- we broke up in the late '70s, I think, before Dan and I actually went into the investment banking business per se. Dan and I were friends. I dated while we were friends but not while we were in business together.

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Q Okay. Did there come a time where she came to work for Collins, Locke & Lasater or Lasater & Company?

A Yes. Yes. At the time she came to work up there, yes.

Q Was she friends with Dan Lasater before she came to work?

A Yes, through my relationship, when she was dating me back there, she knew Dan.

Q Was she also friends with the governor?

A I don't remember her being close. She knew the governor. Patsy was pretty political, but I don't know of them being close friends at that time. He wasn't one of her close political friends. She had closer political friends than that.

Q If someone from the company was going to contact the governor's office, other than one of the principals, would it normally be Ms. Thomasson?

A You are talking back in the '80s?

Q Yes, sir.

A It could have been. But she wasn't that close in that administration. She could have been,

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of course, I don't know.
Q Do you know anybody by the name of Maurice Smith?
A Maurice Smith?
Q Yes, sir.
A Yes, I do.
Q How do you know Maurice Smith?
A He was a -- involved in politics, which is a pretty wide, broad statement. Maurice was always very prominent in the state and I believe he was on the Highway Commission, and he also worked I believe in Bill's administration as kind of his top aide.
I know when I was in the city, Maurice would come down to the city to talk to us, kind of be a liaison. It was a guy I always knew. He was Highway Commissioner for years out there.
Q Was -- Ms. Thomasson was on the Highway Commission, was she not?
A Yes, she was appointed by David Pryor, Senator Pryor, during his term. It is a 10-year term.
Q Were the three of you friends?

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A Three who? Which three?
Q You, Mr. Smith and Ms. Thomasson?
A I wouldn't call Maurice a close friend. I knew Maurice but the three of us never went around together. But Patsy was a friend. I think she was a friend of Mr. Smith's. After she and I broke up, when they were on the Highway Commission -- they were on the Highway Commission together and so forth.
Q Did Mr. Smith ever work for Governor Clinton, do you know?
A I think he was on his staff once.
Q I am asking if you are aware.
A You know what, I think he was. He was out there -- I guess he was working for him. I think he supported him.
Q Did you ever have any discussions with anyone in the governor's office with regard to state bond underwritings?
A In the governor's office?
Q Yes, sir.
A No, not to my knowledge, I don't remember.
Q Did Ms. Thomasson?

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A I don't know.
Q How about Mr. Lasater?
A I don't know that either.
Q Am I right; Mr. Lasater and Lasater & Company owned a number of aircraft during the same period, '83 through '86?
A Yes, they did own some aircraft.
Q Did you ever fly in those aircraft?
A Yes. Yes, I did.
Q Did you ever fly in the aircraft with Governor Clinton?
A I don't recall ever doing that.
Q Did you ever fly with anyone from the governor's staff in any of the aircraft?
A I don't recall doing that. I don't know that I didn't. I just don't recall.
Q Have you ever heard that the governor used or flew on Mr. Lasater's aircraft?
A I have heard that, yes. That could possibly be true. He might have -- I wasn't there with them. He might have used it to fly somewhere. That was kind of customary at that time in Arkansas.

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Q Could you elaborate on that? How is it customary?
A Well, as I understood it, the governor would call different people -- different people would loan the governor airplanes. He didn't have his own plane. People would loan him -- not only us, I am sure; other people did too. But I don't know how frequently it was, but from time to time. If he would have called -- if he would have called -- I think probably if the plane wasn't busy he probably could have used it.
Q Can you approximate how many times you know that the governor flew in the aircraft?
A I don't know that he ever flew in it. I said it was customary back then. If he had called -- I don't know that he ever flew in it.
Q During the period 1982 through 1986, were you aware that Mr. Lasater used cocaine?
A '82 to '86?
Q Yes, sir.
A Can I answer this -- yes, I was aware of it. It was a matter of record. Yes.

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Q Do you know whether -- did the governor have any knowledge of Mr. Lasater's cocaine use?
A Not to my knowledge.
Q Did Ms. Thomasson?
A Did she know?
Q Yes, sir.
A Not to my knowledge.
Q Did anyone on the governor's staff?
A No.
Q Did Mr. Lasater ever contribute money to any of Governor Clinton's campaigns or inaugurals?
A I felt like he did. I can't tell you what. We supported him in that year at that time, I am sure he gave contributions.
Q Were employees at the company encouraged to contribute to any Clinton campaign or inaugurals?
A I think that if he was supporting them, we encouraged them to support, yes, make contributions.
Q Were any employees ever reimbursed for contributions they made to any campaigns or inaugurals?
A I don't know. I don't know about anything

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like that.
Q Have you ever heard that happened?
A I don't -- first I have heard of that. I wasn't.
Q That you would know?
A I would know that.
Q Okay. Did Mr. Lasater or Lasater & Company ever sponsor a fundraiser for Governor Clinton?
A I don't know the place, there is a place on the east end -- there is a historical building here where they have weddings and receptions, et cetera, and I can't think of the name of it. And I think we sponsored one party done there, a little cocktail party deal to raise funds for Mr. Clinton.
Q Was that at Trapnall Hall?
A Trapnall Hall, that's it. You know more about it than I do. Trapnall Hall. That's it, Trapnall Hall. And we invited people and friends, what have you, and raised some money for Mr. Clinton at that gathering.
Q Do you recall what period that occurred?
A I sure don't. I don't have any idea.

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Q Do you recall if it was after he had been re-elected, after being out of office for a term?
A It would have been then. It would have been from then on. I don't know when it was, but I guess it would be during that time he was running against Frank White.
Q Do you have any recollection whether it was in October of 1984?
A No. No.
Q Do you recall what time of year it was?
A I really don't know that either.
Q How many people attended the fundraiser?
A I really don't know that. Probably 75, a hundred, I would say, maybe.
Q Who was responsible for organizing it?
A I don't know who organized it. I don't have any idea who did that. Probably somebody in our firm but I don't know who it was. I didn't.
Q Do you have any knowledge of how much money was raised during that fundraiser?
A I don't have any idea.
Q Did Mr. Clinton come by the fundraiser?

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A I believe he came by for a short time.
Q Did you speak with him?
A I can't remember. We usually spoke when we were at gatherings like that. He's pretty good about speaking to everybody there. I am sure he spoke to me sometime during his rounds.
Q But you don't have a specific recollection of any conversation you had with him?
A No. It wasn't long, just shake my hand or something.
Q Would you say he was there for a half-hour or less than a half-hour?
A I don't have any idea, really.
MR. O'CALLAGHAN: We have to go off the record for a quick moment for the court reporter to attend to her machine.
(Discussion off the record.)
MR. O'CALLAGHAN: Why don't we go back on the record.
THE WITNESS: Okay, we are back on the record.
BY MR. O'CALLAGHAN:

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Q Are you familiar with a bond underwriting that was undertaken in 1985 by the state police to provide capital for the purchase of a new police radio system?

A In general I am, yes.

Q And how are you familiar with that?

A We were -- this is what I know about it. We had some problems here in the state, we had some state troopers that had been killed because the communications were bad and they couldn't call the backup help, and et cetera, two or three pretty bad killings. And there was a big move on to modernize our radio system, whatever you want to call it, for the state police, to stay in better touch with each other and so forth.

And so they came up with a proposal, the state police did, the communication system was going to cost so much money, and of course, the state didn't have that. The idea came up, some kind of a bond issue to raise the money, and the number 26, $27 million comes to my mind at this time.

And the State Police Commission, I guess,

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agreed to have this bond issue and they advertised for bids from different bond houses -- us being one of them -- to submit bids on this bond proposal.

Well, as I remember, we got -- at that time there was a company called E.F. Hutton, you guys remember when they were pretty big, one of the big guys. They were pretty active in the state. We had done some work for them. We had E.F. Hutton and they kind of headed it up. And there was another company called T.J. Raney at that time which was a pretty old firm here in town. The three of us went together for a joint bid, headed up by E.F. Hutton, them being the strongest ones.

And I remember we submitted a bid to the State Police Commission, and -- for the contract. There was a vote on it. Police Commission strictly on top of the table, aboveboard, wide open, they award it to E.F. Hutton & Associates, and we being one of the associates. And that's what I remember about it.

Q I would like to ask you a couple more specific questions --

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A Sure.
Q -- as I am sure you anticipated.
How did the group of E.F. Hutton, T.J. Raney and Lasater & Company, how was that brought together? How did those three groups get together?
A Seemed like we had probably done some work, you know, with E.F. Hutton on some other things and got to be -- well, I will give you a little background.
Before this, I am talking about New York, the bond houses in New York was coming into Arkansas, and the Stephens group was so strong, if you didn't have the Stephens group with you, you didn't do much business down here. You didn't get in the front door very far without the Stephens group helping out the situation, very strong politically and financially.
And we were kind of the new kids on the block, you might say. And in fact, we invited Stephens to join with us, in the deal, come in with a bid. Hell, no, we are not going to deal with you guys. They came with a separate bid on their own. And that's about what I remember.

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See, like Michael Drake had a contact with E.F. Hutton and they had done some business. Like I said, we had done some other things with them and had a relationship at that point in time.
Q Do you know who approached Stephens about doing the underwriting?
A It is my understanding Dan talked to Jackson Stephens, or somebody, and Jackson refused to deal. He said no, I don't want to be involved. I can do it on my own. And he got pretty pissed off that we got awarded the contract. I remember that. I think he went and talked to the governor about it. I heard he did.
I am going to tell you this is hearsay, good hearsay, but he was a little pissed off about the bid.
Q Do you know whose idea it was for the firm to get involved --
A Probably Michael Drake's, I guess. He was helping that deal. He would be the one spearheaded it and put the group together. He was our contact guy with the Raney people and with the Hutton

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people.
MR. FEUER: Mr. Locke, so the record is clear, who went and spoke to the governor about the deal? Was it Jackson Stephens that spoke to the governor that you heard?
THE WITNESS: Well, my story was that we were awarded the contract, or our group was awarded the contract, and Jackson was really pissed off about it, and he even made a contact and went to see the governor and expressed his displeasure. That's strictly hearsay, guys. I heard it pretty good.
And I don't know what the vote was -- I think the thing had to be -- at that time I wasn't with the legislature, but I think it had been approved by legislative committee also, besides the state commission. It seems like it had a double whammy, had to be approved by two groups. So the bid was approved by two groups, scrutinized it and decided we had the best bid, the cheapest bid, or our group did.
You know, it was wide open out there. There wasn't any big secrets about it.

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BY MR. O'CALLAGHAN:
Q Did -- you were executive management during this time period; is that correct?
A Yes, I would guess you would call me in management at that time.
Q Did management -- did there come a time when the management had an initial meeting about getting involved in this underwriting?
A I don't remember any initial meeting we had.
Q Any discussions?
A Maybe it was discussed, probably discussed it.
Q Do you recall whether -- how far in advance of when you actually received the contract?
A I really don't know what the time schedule was.
Q Do you recall when the firms first stared to work to try to compete for the contract, when it was first announced that the state police were looking for a new system, or do you recall, was it shortly after the funeral for the state trooper when

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the efforts started to begin to get involved in this?
A I don't remember when that was. I don't know what triggered it. Those circumstances that had been happening, there had been a couple of troopers been killed, and that kind of put the state police -- they needed this communication system.
Q During the time when you-all were first gearing up to put together, to try to compete or get involved in the underwriting or potential underwriting for the new system, did Mr. Lasater mention to you that he had a conversation with the governor about getting involved in that underwriting?
A No, he didn't say anything to me about it.
Q Are you aware of any conversation he had about it, any interest that Mr. Lasater expressed in being part of the underwriting, or any conversation that the governor had with Mr. Lasater about it?
A I don't remember anything. I wasn't involved.
Q And Mr. Drake was the person primarily responsible for putting this project together?
A Yes. If I remember right, it was his

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project.
Q Did there come a time when the firm hired a law firm to help them with the legislation?
A With legislation?
Q For legislation to authorize the underwriting.
A I don't remember that.
Q You don't recall whether they hired the Mitchell, Williams firm to do work like that?
A Which firm?
Q Mitchell, Williams.
A Mitchell, Williams? No, I don't recall that. That wasn't part of my situation here.
Q Okay. Did you have any contact with Sam Bratton in the governor's office at any time?
A Sam who?
Q Sam Bratton.
A Not really.
Q Did you have any contact with him?
A No, I don't remember having any contact with Sam Bratton.
Q Do you know who he is?

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A I know who he was. I know the name. If he is who I think he is. Is he a crippled guy? I can't remember who Sam Bratton is. I remember the name in politics but I don't know him.
Q But you don't personally know him?
A I really don't know him, no.
Q Do you know if he did any work with anyone at the firm with regard to this project?
A I don't know.
Q Did the company put together a presentation with E.F. Hutton that the governor attended in January of 1985?
A Repeat that again, please.
Q Sure. Was Lasater & Company involved in a presentation made to the governor in January 1985?
A To the governor? Or to the committee?
Q Just in general, to the state and -- about financing for the state in general.
A I don't remember. I wasn't involved. I don't know.
Q So you never attended a meeting at the Legacy Hotel that the governor attended?

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A Not to my knowledge, I don't remember.
Q Do you know if Mr. Drake had a point of contact in the governor's office, someone he dealt with there at the office?
A I don't know that he did.
Q You are aware of the firm's efforts to become an underwriter on the state police radio financing; is that correct?
A Yes, I knew we made an effort, yes.
Q Were you given any kind of updates with regard to the progress of the firm's efforts, or the progress of the process?
A No, not too much. I just remember it was going on and on, and we were involved.
Q Are you familiar with anyone who served on the State Police Commission at that time?
A I think Winthrop Rockefeller, Jr., not his dad but the boy. I think he was at that time. There was a gentleman named Johnny Mitchum on it. That's the only two names that I can recall that might have been on it at that time.
Q Were you familiar with anyone by the name

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of Simpson?
A Simpson, I have heard that name, yes. I don't know him.
Q How do you know Johnny Mitchum?
A He is a real estate guy here in town, and his brother was on the -- his brother and I served in the legislature together, Tommy Mitchum. And I met him through Tommy on different occasions.
Q Did you have any discussions with him with regard to this underwriting?
A No.
Q Did you have any discussions with anyone on the state commission with regard to the underwriting?
A No.
Q Did anyone at the firm contact anyone at the State Police Commission with regard to the underwriting?
A I don't know.
Q Do you know if Mr. Drake knew Johnny Simpson?
A Do I know if he knew him?
Q Yes, sir.

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A I don't know if he knew him. But I assume that he knew some people because he was working with them, but I don't know that he knew Mr. Simpson.
Q Did you know Mr. Mitchum socially at all?
A No.
Q I have a document here, it is a two-page document. It is on Lasater & Company letterhead, dated February 15, 1985. It is addressed to the "Honorable Bill Clinton" and it reads "Dear Governor," and it is signed Dan R. Lasater. And a second signature line has Rick L. Knox on it.
A What's the name?
Q Rick Knox.
A Yes, Rick Knox, he was president of the company at one time.
Q This letter identifies him as president, and it is dated February 15 --
A He was at one time.
Q February 15, 1985?
A Yes.
Q The first paragraph of the letter reads "thank you very much for the opportunity to sit down

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and visit with you regarding the many issues facing Arkansas and relative to areas in which Lasater & Company can assist you in efforts to promote and develop Arkansas."

Do you have any knowledge of any meeting that Mr. Lasater had with the governor in and around February 15, 1985?

A I really don't. I am not saying there wasn't one. I just don't remember one of them. Is he referring to a meeting with Mr. Knox?

Q It is actually -- it is not clear from the letter. That's what I am asking.

A I really don't know.

Q Okay. Are you familiar with a gentleman by the name of Donald Spears or Donny Spears?

A Donny Spears, lawyer, banker? From Malvern? Do you know anything more about him? That name rings a bell.

Q But you are not familiar with him?

A I can't think -- I have heard the name. I am not sure I know him.

Q During the time that the commission was

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getting ready to choose an underwriter to do the police radio financing, at that time did you ever become aware that there was a concern that the group of underwriters associated with Lasater & Company, that there was a rumor circulating that the bid they were submitting was lower than the price that they could deliver on the deal?

A No, I wasn't aware of that. What was that? The proposal we were submitting was lower than we could deliver?

Q Yes, sir.

A No, I wasn't aware of that. Did that happen?

Q Unfortunately, part of these depositions --

MR. FEUER: Mr. Locke, I don't mind telling you, for my part, there is no evidence that that happened.

THE WITNESS: It doesn't make any sense, but no, I am not aware of that. It sounded like sour grapes to me, but --

BY MR. O'CALLAGHAN:

Q Are you familiar with a gentleman by the

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name of Knox Nelson?
A Yes.
Q During this period of time, in 1985, did you know Mr. Nelson?
A '85? Yes, I knew Mr. Nelson.
Q I believe he was a Senator then?
A Yes, he was a Senator.
Q And what was the nature of your relationship with Mr. Nelson?
A The nature of my relationship with him?
Q Yes.
A I served with him, you know, 12 years in the Arkansas Senate, during that period of time. From '71 to '83, I was associated with him at the Arkansas Senate, as a state senator.
Q Did you ever hear during that time period that he was opposed to financing the police radio system through a bond underwriting?
A I don't remember that.
Q Did you have any conversations with him during this time period?
A No, I didn't contact him. I don't remember

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him being opposed to it. I guess -- I don't know whether he was or wasn't.
Q Do you know whether anyone at Lasater & Company had any conversations with him?
A No, I do not.
Q Did there come a time at the firm where you became concerned that the bond underwriting wouldn't happen?
A That I became concerned about it?
Q Yes, sir.
A I did not.
Q Was there ever a concern expressed by Mr. Drake or anyone else at the firm?
A Not to my knowledge.
Q I guess in a couple of newspaper reports and other sources, I believe there's been a comment attributed to you which I would like to bring up here. And I am going to refer to the 302 which I referred to earlier, and I am referring to the seventh page.
And the second paragraph of that page, which is, again, as Mr. Feuer already said, it is

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notes of an agent who interviewed you. It reads, attributing remarks to you, "said there was considerable lobbying done for the contract, but Mr. Locke said he felt because Lasater & Company backed the right individual in Governor Clinton. Lasater & Company received the contract."

A That's wrong. I told them it was wrong at the time they printed it. I think it came out in the L.A. Times. They came to see me, they had their story written. I told them it was wrong. They still wrote it. That's a false statement. I never said that.

Q You don't recall making that statement?

A No. If I did, it was wrong. I didn't make the statement. It was totally wrong.

Q Do you recall being asked about the state police underwriting contract during your FBI interview?

A I really don't even recall being asked about it. I know that statement there is wrong.

Q Did you say you told the agent -- did you get a chance to review this after it was written?

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A I haven't seen it. All I know, it got written up in the paper one time.

Q So the first time you had knowledge of it was 1992?

A When they wrote it up in the -- I think it was an L.A. paper somebody wrote it up.

Q L.A. Times article?

A Yes.

Q When you said you told someone that it wasn't -- you didn't say that, you told the reporter that; is that right?

A Yes. The reporter caught me one day here in town, and walked in my office. And I knew they had been looking for me. I wasn't trying -- didn't feel like talking to them. They were all over here like flies. Came in and said we have this story and we want to confirm. And I said what story? He read it right here. I said that's wrong. I said if you put the statement in the paper -- I will give you a statement.

My statement was -- if you want a correct statement, I will give you a statement, and I gave

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him a statement which they didn't print. They already had their story written. They made a courtesy call on me. I guess they already had their story written when they got to me. That came out in the paper and I heard about that several times but that's a wrong, bad statement. I did not make that statement. That's not true.

Q You said something about -- you made a reference to Governor Clinton when you talked to the reporter, I don't think that was covered by the court reporter.

A Say what now? Oh, yes, I told him that -- if I personally disliked Mr. Clinton, if I hated him, I couldn't tell you anything bad about him, because I don't know anything bad about Mr. Clinton. Of course they chose not to write that.

MR. FEUER: Funny how that works, isn't it?

THE WITNESS: Funny how that works. In fact, I told them -- I don't want to put this in the record -- I was pretty profound with them.

BY MR. O'CALLAGHAN:

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Q And it is a public record or it will become a public record after the hearings.

A Yes, after what I say here, so I'd just as soon not say what I was going to say. It wouldn't serve any purpose. Except the fact that I don't know anything about Mr. Clinton. If you called me up from the National Enquirer, I couldn't give you any secret stories down here.

Q There is another entry here in the 302 which I want to read to you, and ask you if you recall making a similar statement.

A Okay.

Q Again, it is on the seventh page. The first paragraph on that page reads "Michael Drake was very instrumental in working out the legislative problems surrounding the bill and additional amendments. Drake worked very closely with Johnny Simpson, Arkansas State Police Commissioner, and they eventually formed a consulting partnership after Drake left Lasater & Company." Do you recall making that statement?

A I don't recall making that statement. I

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don't know this Johnny Simpson you are talking about.
Q So you don't recall anything of that nature?
A Would you read that statement again. I didn't hear all the statement.
Q I would be happy to.
A Yes.
Q It reads "Michael Drake was very instrumental in working out the legislative problems surrounding the bill and additional amendments. Drake worked very closely with Johnny Simpson, Arkansas State Police Commissioner, and they eventually formed a consultant partnership after Drake left Lasater & Company."
A I don't remember making that statement.
Q Okay. There was one more statement I wanted to -- I want to bring to your attention, an entry in this 302, which reads "Mr. Locke stated he was aware Dan Lasater had given Tommy Mitchum $500 in the past for past campaign debts, but this had no influence at the time of the communication of the bond issue."

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Then it reads "however, Tommy Mitchum is the brother of Johnny Mitchum, a member of the Arkansas State Police Commission."
A Are you asking me a question?
Q The question is, do you recall making that statement?
A Not that exact statement, but that is true.
Q How did you come to know that?
A How did I know that Tommy -- he gave Tommy $500?
Q Yes, sir.
A Tommy knew me from the legislature. It was probably after I was already out and Tommy came by the office to see me one day and said he was running for representative and wanted to know if I thought I could give him a contribution. And he wanted to know if I could round him up a little contribution.
He had political debts he had and he wanted to run for re-election, which is not uncommon. Everybody came by. We were hit up all the time for political contributions. But Tommy came by, knowing

me, he didn't know Dan, and wanted to know if I could get together some money for him. I said I don't know Tommy, stay here in the office and I will see what I can do.

So he sat in my office, I went upstairs to Dan's office, and I said Dan, there is a friend of mine downstairs running for representative, and he needs -- he would like a contribution. And if you have a minute, I would like you to meet the guy.

So I remember Dan came downstairs and they shook hands and talked about three minutes, two minutes, and Dan turned to me and says, you know, give him a check for $500, or something of that nature. And we gave him $500.

Q And when did that take place?

A I don't know when it was. I can't give you a date on it.

Q Do you recall whether it was in and around the time the company --

A I really don't know. I really don't know.

Q Mr. Locke, did you hear at any point near the time the state police underwriting contract was



awarded to Lasater & Company by the State Police Commission --

A Remember, you are saying that wrong, and just for clarification, it was actually given to E.F. Hutton and Lasater & Company and T.J. Raney company.

Q Sorry. The group which included Lasater & Company?

A Right.

Q My apologies.

A I don't know why you focus on us but go ahead. Yes.

Q The question is actually regarding E.F. Hutton. Was there ever any discussion about E.F. Hutton pulling out of the deal?

A Not to my knowledge.

Q Do you recall there being -- E.F. Hutton experienced legal problems around this time period?

A I remember right after that they started having problems, I remember. Shortly -- during the time or shortly after it, they had some problems, I remember that. I think they finally -- whatever happened to them? They went off the scene.

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Q What do you mean, "they went off the scene"?
A Well, they ceased to exist. I don't think they are around anymore.
Q Okay.
A I don't know exactly what happened to them. But I remember they weren't around.
Q Did anyone at Lasater & Company ever offer to provide money or other types of remuneration to Governor Clinton in connection to receiving the contract for the police radio bond underwriting?
A No. Not to my knowledge.
Q Did anyone provide money to Governor Clinton or remuneration to Governor Clinton in connection with receiving the state --
A Not to my knowledge.
Q -- police bond underwriting?
A Not to my knowledge.
Q Did you have any involvement in the -- let me ask one more question with regard to that subject.
Are you aware whether anyone from the

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governor's office exercised -- or rather, anyone from the governor's office ever communicated to the State Police Commission that they had a preference for one underwriter over the other with regard to this contract?
A Not to my knowledge.
Q Do you know whether anyone from the governor's office related to anyone at the State Police Commission that they would like to see Lasater & Company be included in the group receiving the underwriting contract?
A Not to my knowledge.
Q Did anyone from Lasater & Company provide, other than campaign contributions, which were recorded, did anyone from Lasater & Company ever provide Governor Clinton with any cash?
A Not that I know of.
Q While you were at Lasater & Company, did Governor Clinton ever come by the office to visit?
A You asked me that. He came by one time for a short period of time.
Q When he came to speak to the staff when he

was running for office?
A When he spoke with the staff.
Q After he got in office, do you recall him -- or rather, did he ever come by to visit either you, Mr. Collins or Mr. Lasater?
A I don't remember. I don't -- I don't remember if he did.
Q Have you ever heard that he did?
A No, I haven't heard that he did.
Q Did you have any participation in the company's efforts to receive underwriting contracts with the Arkansas Housing Investment Agency, or its successor, the Arkansas Development Finance Authority?
A No.
Q Whose responsibility was that at the firm?
A That would have been Drake's, too, I guess, Michael Drake. I assume, I am not sure of that, but I assume it would have been his.
Q Do you have any knowledge of whether anyone from the governor's office expressed to anyone at AHDA or ADFA that Lasater & Company should be



included in underwritings done by that agency --
A Not to my knowledge.
Q -- or rather, bond offerings --
A No.
Q -- issued by that agency?
Are you familiar with anyone by the name of George Wright?
A George Wright?
Q Yes, sir.
A No, I don't recall a George Wright.
Q How about Mort Hardwicke?
A Who?
Q Mort Hardwicke.
A No, that name doesn't ring a bell.
Q How about Wooten Epes?
A I have heard of Wooten Epes.
Q Where did you hear his name?
A He work for the governor in some capacity.
Q Do you personally know Mr. Epes?
A I really don't know him, not personally, no.
Q Did anyone at the firm know him?

A I don't know.
Q Do you know if Mr. Epes ever came by the offices?
A Not to my knowledge.
Q Do you know if any board members from ADFA or AHDA ever visited the offices of Collins, Locke & Lasater?
A Not to my knowledge.
Q Do you know if any of the members of that board ever travel on Collins, Locke & Lasater or Lasater & Company airplanes or jets?
A Who was on the board? Is that the guys --
Q Just if you have --
A I don't know of anybody. I don't know.
Q I should be wrapping up pretty soon. I want to make sure I don't have to come back to things, saying I am going to be finished. If you could bear with me for one moment.
A Okay.
(Pause.)
Q Are you aware whether Madison Guaranty Savings & Loan maintained any accounts at Lasater &



Company?
A I wasn't aware of it.
Q Are you familiar with Madison Guaranty Savings & Loan?
A In the paper every day down here.
Q At the time?
A At the time? No, I wasn't really that familiar with them.
Q Do you know a Jim McDougal?
A I do know Jim McDougal.
Q Did you know him at the time?
A Yes, I knew Jim. Not intimately. He had worked on one of the governor's staffs whenever I was out in the Senate, I don't know which one, I had some contact with him then -- I had some contact with him when he was on one of the governor's staffs; sometime when he was in the Senate, he worked for one of the governors. I don't know if it was prior, or who it was.
But I met him and knew him then, in a professional way, and I never was involved with him socially in any way.

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Q Do you know Susan McDougal as well?
A Not really, no.
Q Did you have any business dealings with the McDougals while you were at Lasater & Company?
A Thank God, no.
Q Did anyone else at Lasater & Company do any business with the McDougals or Madison Guaranty Savings & Loan that you know of?
A Not to my knowledge.
Q Did you have any involvement -- I will withdraw that.

I would like to refer you again to the meeting that you, Mr. Collins, and Mr. Lasater had with Bill Clinton. I think you put it in around the fall of 1979.

A I am not sure Mr. Collins was there. I remember being there and I remember Dan was there, and I was there and Bill was there, and I don't know whether David was there or not. He would have to tell you that, I don't know whether he was or he wasn't. I think that other people were there but I can't tell you who they were.

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Go ahead. I know the meeting you are talking about.
Q Since that meeting, have you had any conversations with Mr. Lasater about that meeting?
A Since that meeting?
Q Yes, sir.
A No, I don't recall talking to him about it.
Q During that meeting, I believe you stated that, during the meeting, the governor asked if -- was inquiring as to whether Mr. Lasater and you-all would support him if he ran for office?
A That was the purpose of the meeting, to get to meet Mr. Lasater, and to ask our advice, what he had done wrong, what he should do, talk about the state, told what his dreams were for the state of Arkansas, and what his ambitions were for developing the state and so forth.

And that was kind of our ambition, too, because we were big Arkansans because we were trying to do something good here. And that was primarily the theme of the meeting that I remember, what he

would like to do, and hear his ideas and see if we agreed with them.

Q Did he talk about any ideas he had for boosting business for financial firms in Arkansas?

A He didn't talk about -- I imagine he just talked about boosting Arkansas as a whole.

Q Did he discuss -- any discussion of what he wanted to do with the Arkansas Housing Development Agency if he was re-elected?

A I don't remember anything about that specific thing.

Q You don't recall any conversation at all with regard to the securities business?

A Not really. Not at that meeting. I don't recall any specific thing there.

Q Would that have been a topic of discussion that both you and Mr. Lasater would have been interested in talking about with regard to development of the state?

A Yes, we would have been interested in talking about the state development. We hadn't been in the business very long at that time, if I



remember, but we were interested in Arkansas growth and so forth.

Q I am interested in whether or not he was relating to you policies that he thought you would be interested in, and it would help your business, during the course of the meeting, as a means to gain your support for his candidacy?

A I don't think there were any specific things that could help our business -- I don't think there was anything he said specifically about our business. He was talking about the state as a whole and how he wanted to develop it.

Q Just so we are clear, you don't recall any conversation he had about developing the securities business?

A I really don't. Not specifically.

Q Do you recall anything he said during the meeting about plans he had for the state that drew your attention, something that you thought was a good idea or were excited about?

A No, I really don't.

Q You said it was a two-hour meeting?

A I would say it was about two hours. I think it was 5:00 till about 7:00, something like that.
Q You don't have recollection of any substance of the meeting --
A Not really. The only thing I remember is him having to call home to Hillary four or five times.
MR. O'CALLAGHAN: Off the record.
(Discussion off the record.)
MR. O'CALLAGHAN: Back on the record.
BY MR. O'CALLAGHAN:
Q During the time you were -- when the firm was Collins, Locke & Lasater, where was the firm located?
A We had about -- let me think, about two or three locations. I believe we started out at First National at that time, First National Bank building. And I believe our second was at that time either -- no, was it Savers or First Federal Savings & Loan, the savings and loan across the street. And then the third and last move, as I recall, around '81,



somewhere in there, was to the building that we ended up in, that was at 310 Louisiana.
Q So by the time Governor Clinton was re-elected, you were in the 310 Louisiana building?
A I think we were.
Q Where was your office located physically with regard to Mr. Lasater's office during the time period 1982 through 1986?
A Let's see. It changed. We made one change -- whenever Mr. Collins and Mr. Lasater and I were there together -- I am talking about in the final destination -- I can't remember where we were in the early, first two buildings because -- I don't remember.
Q I just need to -- I am curious about the 310 Louisiana.
A 310, I remember 310 Louisiana.
Q Okay.
A We had a big sales floor out front and offices off the side of that, off the hall. And if I recall, Dan had the first office on the left coming down the left hall, I would I had a middle office,

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and Mr. Collins had the end office at the end, toward the end of the building.

Q All three of you were in a row down the hallway?

A Three in a row. And then later, when it became Lasater & Company, Dan officially moved his office -- we had an upstairs kind of a -- little annex. He moved up off the sales floor and upstairs and I took his office on the end, where he was. We had some vice president sit in the other office, and so forth.

Q When you were in that second office, were you able to see people coming in and out of the offices?

A Well, we had a big -- have you ever seen the building?

Q No, sir, I haven't.

A We had a big -- we had a big vestibule, you would call it, or lobby, you call it, not big -- we had a receptionist sitting back there and she would buzz back. And she would sit them down out there and direct them to where they was to go. I saw most of

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people coming and going, I guess.

Q If the governor came to visit the office, would he have been brought by your office to say hello or would he have stopped by?

A I hope to hell if the governor came by someone would let us know he was there. I feel like I would be made aware that he is in there. It would -- he wasn't the type of guy to drop by every day for coffee. It would be a rare occasion if he came by there.

MR. O'CALLAGHAN: Thank you very much. I have no further questions at this time.

THE WITNESS: You bet.

EXAMINATION

BY MR. FEUER:

Q Mr. Locke, the procedures that we have been using in the course of this investigation are the Republicans ask questions first and the Democrats ask questions second. And because of that there is a certain amount of repetition --

A Right.

Q -- that's inherent in this, but I will be

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brief and I apologize for that in advance.
A No problem.
Q When you introduced Governor Clinton to Mr. Lasater for the first time, was that shortly after he had been defeated for re-election?
A You know, if I recollect it right, you know, sometimes you forget, I remember -- if I am not mistaken, I was contacted either the day after, or just a very short time after the election, like in November. I know because I was shocked that he was back on the -- he was thinking about running for office, because he just -- had a very disappointing defeat. I know I would have gone up and sucked up in the corner somewhere and licked my wounds, but that wasn't the case.
And I want to say it was -- I know it was shortly after his defeat. Shortly after. It could have been the next day.
Q Was Governor Clinton in much of a position to do favors for people at that time?
A At the latter part of this deal, no.
Q At the time that he met with you and

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Mr. Lasater?
A No, no. He -- he was like a crippled duck. Fourth, fifth or sixth somewhere in there, and the new governor took office in January, so he would not be in a strong position at all. I wouldn't think.
Q Did you get the feeling that Governor Clinton was talking to other people in Arkansas about the subjects he was discussing with you and Lasater?
A Definitely. He was almost full-time doing this. Later it came out we were one of the first people. But he started out immediately going all over the state meeting with groups of people. First I think he was in an apologetic mood and a little bit better the first time, then getting off base and letting his people handle things he should have handled, and asked for suggestions how he might correct his errors, and asked for forgiveness, so to speak, and asked for our support.
He made a thorough -- we were not the only ones he talked to, believe me. He was making a pretty general run of the whole state.

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Q Had Stephens, Inc. supported Frank White in the election against Bill Clinton in 1980?
A Yes.
Q When Bill Clinton regained the governor's office in 1982, and became governor again in 1983 --
A '83, right.
Q -- did the state of Arkansas, from that point on, use a larger number of underwriting firms for state bond business than had the administration of Frank White?
A Yes. It opened up things quite a bit. In fact, Mr. White went to work for Stephens, Inc. after he was defeated.
Q Did the Clinton administration have a policy of including local firms in state underwriting business?
A Yes, yes. What Bill wanted to do was be more inclusive of everybody. He wanted everybody that was available -- you had to have a certain, you know, financial statement, et cetera, you know, to qualify even to bid on the bonds. But any firm that was qualified and was in the state of Arkansas, he

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wanted them to have an opportunity to be it.
Q And was that true regardless of which political candidates the firms had supported?
A I don't think that made a lot of difference. I really think he wanted people in Arkansas -- there were other firms besides us; we didn't get all of it. We got a small percentage of them. But up until that point, it had been kind of -- a kind of closed ship here, bidding on state stuff. Like I say, Stephens wasn't involved, you didn't have very good luck.
Q Did Stephens, Inc. continue to get a share of bond business even after Bill Clinton defeated Frank White in 1982?
A I think they got their share. I can't tell you how many but I think Stephens got -- Bill didn't give what I call a black ball. I think every contract out there was looked at with very honest, open, whoever had the best bid on that particular issue.
Q As far as you know, were the policies that I just asked you about carried out by the Arkansas

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Housing Development Agency and the Arkansas Development Finance Authority?

A Repeat what you just said. I wasn't sure I heard you right. Would you repeat that again, please?

Q Sure. As far as you know, did the Arkansas Housing Development agency and the Arkansas Development Finance Authority have their -- have a different set of policies with respect to hiring underwriters, or did they follow the policies of the Clinton administration that we have just discussed?

A Yes, I think they were just open -- I think they were open just like the other one was. You know, being -- inclusive of everybody. Whoever was available to bid, bid. The more the merrier is the way they looked at it. I don't think there was any select group they gave anything to because they couldn't have very well, it was too closely scrutinized. It wasn't behind doors out there, it was a wide open situation.

Q Mr. Locke, do you have any reason to think that the Arkansas State Police Commission awarded the

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bond underwriting contract to the Raney, Hutton and Lasater firms based on anything other than the quality of the bids that the commission received?

A I have no reason to believe that. Because it was well scrutinized and if they had done it otherwise, Stephens would have blown the thing wide open. I don't think it would have happened if -- I won't say by far but the better bid on some basis.

Q Did you have any reason to think at that time that Lasater & Company would be awarded the underwriting contract from the State Police Commission no matter what kind of bid it submitted?

A No, I didn't. In fact, I thought -- I thought if we had the best bid we might not get it. We were pleased, of course. We were a young firm, we were pleased that we did win it, although I don't think it was all that profitable to us, frankly. But it was something that we had -- we had worked on and we were pleased to get it.

But I didn't think it was anything except we turned the best bid in. It was scrutinized by the Police Commission, as I understood it, at that time

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and I think it went to a special committee of the legislature, and they looked at it.

Q Was underwriting securities more profitable or less profitable to Lasater & Company than the other business activities it was engaged in?

A It was just a small part of our business. Our biggest business was in the secondary market, dealing with banks and savings and loans, insurance companies, and things of that nature. Selling bonds.

Q Was selling bonds to savings and loans and insurance companies and other investors more profitable to the firm than was underwriting securities for the state of Arkansas?

A I almost -- I didn't really -- I am not a bookkeeper, but I would say yes by a large percentage.

MR. O'CALLAGHAN: Are you talking about percentage of the work that was done or just total number?

THE WITNESS: I was talking about the profitability of it. Our profits were derived primarily with the sale of bonds in the secondary

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market. The underwriting would just be a small percentage of our business.

MR. O'CALLAGHAN: But the question is whether or not the returns on the underwriting efforts were as great or less than the returns that you received from the secondary market trading.

THE WITNESS: I said they were less, considerably.

BY MR. FEUER:

Q When Collins, Locke & Lasater or Lasater & Company underwrote bonds for the Arkansas Housing Development Agency or the Arkansas Development Finance Authority, was the firm at risk on those bonds?

A I don't really know. I have a feeling when you bought them, you owned them. You know, if you -- that wasn't my cup of tea, but I don't think you were -- I don't think that -- it wasn't best efforts, there was no best efforts involved. If you bought the bonds, you owned the bonds.

Q As far as you were aware, did the firm's ability to make money from underwriting the bonds

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depend on the firm's ability to sell the bonds?
A Yes, definitely. We didn't keep them ourselves; we had to resell them. Most times I think -- I remember back we associated ourselves with the other firms that would agree to take down so many of the bonds. We weren't that big, but we could take down $26 million worth. We would get other firms to go in with us -- we would get other firms to bid with us sometimes.
MR. FEUER: I have no more questions at this time.
THE WITNESS: Thank you.
EXAMINATION
BY MR. O'CALLAGHAN:
Q Just so we are clear, the two-hour meeting that you had right after Mr. Clinton lost to Mr. White?
A Right.
Q Part of the -- one of the purposes of the meeting was for -- I guess you said he was looking for suggestions on what he could do if he ran again?
A That's right.

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Q Wasn't another purpose of the meeting to convince Mr. Lasater to contribute money to any campaign efforts?
A I think that would be another reason, to see if Mr. Lasater was supportive, and if his support meant also financial support. I'm sure, being a politician, I would say definitely Mr. Clinton had it on his mind. And Mr. Lasater supported him because Dan at that time was considerably wealthy.
Q Very successful man in the community?
A Very successful man. And Dan had never really participated in politics at any level, and his association with me gave him a little exposure to it. And he probably wished he never met me or Bill Clinton, I am sure.
Q During the meeting, when you were having discussions, did the governor suggest anything he could do in return for either monetary or spiritual support that he was asking for?
A No. No, Bill never did that.
MR. O'CALLAGHAN: I have no further questions at this time.

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THE WITNESS: Okay. Does that conclude, gentlemen?

MR. O'CALLAGHAN: Mr. Feuer is trying to think if there is anything that needs to be revisited.

EXAMINATION

BY MR. FEUER:

Q At that point in time, in November 1980, was Mr. Lasater --

A 1980 now, wait a minute. You are talking about 1980?

Q I think --

A Go ahead and ask your question, maybe I interrupted.

Q I think that Frank White defeated Bill Clinton in 1980.

A That's probably about right, yes.

Q At the time of this meeting, shortly after that election, how was Mr. Lasater regarded in Little Rock, if you know?

A Very high esteem. Everybody wanted to touch him. It was like he had gold on him.

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Q Had he been successful in business?

A Yes, he was very successful. I will give you a real brief -- Dan had started a firm called Ponderosa Steak Houses up in Dayton Ohio, at a very early age, in his early 20s, took it public, became a multimillionaire at 28 years old, had sold a majority of his stock and kind of retired, and got into the horse business.

And he was very popular in the state because he was a native of Arkansas. He was born about a hundred miles from Little Rock here in a small town. His father had moved, when Dan was about 10 or 12 years old, into Indiana. Dan was raised in an 8 by 24 trailer with his mother and father and brother. So he came from very meager means and he started out sweeping out a McDonald's in Kokomo, and ended up -- they made him manager when he was 19 years old. He was about 19 years old and he was made manager, and he was voted the outstanding McDonald's manager in America.

He flew to San Francisco or West Coast somewhere, they gave him the honor. Came back and he

was ambitious and wanted to start his own chain, and got a gentleman in Kokomo to put money up. They started a chain of hamburger joins. After his wife at the time and he sold that out and got in the steak business, started Ponderosa and made a big fortune there.

But how he got popular in Arkansas, he came back and was real big in the racing business here. And he won about three or four Eclipse Awards, and -- which is the highest award you can get in racing, and you are voted by your -- by your cohorts for this award.

So he had a very good reputation here at that time. And, in financial circles and social circles and he was a power, he was a -- he was young, energetic, kind-hearted guy, and he was well respected here at that time.

Q Would it be fair to say that at the time of this meeting when Governor Clinton had just been defeated for re-election --

A Yes.

Q -- that Mr. Lasater may have been viewed as



a more successful figure than Governor Clinton was?

A No doubt about it. He was -- Dan was -- he was kind of the golden boy. If you can imagine, I mean, he was new to the state, he had brought new capital in here, and there were things he had done, he had been very successful at. And he was just kind of a -- he was a celebrity. He was definitely a celebrity here in the city. Not only in this city, but he was all over the United States. And everybody was glad to have him and he was very generous with all his funds. Like the Tommy Mitchum story I told you, he just said give him $500, that's kind of the way he operated.

MR. FEUER: I have nothing more.

EXAMINATION

BY MR. O'CALLAGHAN:

Q Mr. Locke, I have a couple of quick questions.

A Okay, guys.

Q Do you know whether Mitchell Lasater helped pay for Roger Clinton's legal bills in 1985?

A I don't know that.

Q Excuse me. 1984.
A I don't know that.
Q Do you know if Bill Wilson ever -- an attorney by the name of Bill Wilson ever represented Mr. Lasater?
A Yes, he was his attorney.
Q Do you know if he also represented Mr. Clinton?
A I don't know about that. I know he was Mr. Lasater's attorney at one time.
Q And are you aware when the first public reports appeared in the press that Mr. Lasater was a user of cocaine?
A I don't -- I don't remember that. Must have been maybe late '86, I guess. I mean, I don't know. I don't know when that -- I don't know when that first appeared.
Q Are you familiar with whether any of those reports appeared prior to Lasater & Company receiving the police radio bond contract?
A No.
Q Was that ever brought up as a topic of



discussion?
A No, not to my knowledge.
Q I am going to use one quick article to try to refresh your recollection, and then I should be finished.
I have an Arkansas Democrat article here from -- dated 2/27/85.
A When?
Q February 27, 1985. Produced to the committee, bears a Bates stamp DKSN 017636. And it is entitled "Testimony links cocaine use, a lawmaker's offspring, at trial." And in the second column of that article, there is a report of testimony given by a Gina Canada, where it is reported that she testified that -- it reads halfway down -- two-thirds of the way down this column, it reads "Ms. Canada also testified that Dan Lasater, an Arkansas native who owns a race horse farm in Florida who once gave Roger Clinton $8000 to help settle drug debts, also used cocaine." Does that help refresh your recollection?
A I remember -- I don't remember that

article, but specifically, I remember the girl Gina Canada. She was the daughter of Senator Canada, Bud Canada, but I don't recall. I am not saying it wasn't in there, I just don't recall it.

MR. O'CALLAGHAN: Okay.

THE WITNESS: I remember -- I do remember Dan's name being brought up. This is during Roger Clinton's trial or something?

MR. O'CALLAGHAN: Actually I believe it was during the trial of Sam Anderson.

THE WITNESS: Okay, I remember something about Dan's name being brought up in that. I don't remember it being in print.

MR. O'CALLAGHAN: Okay, thank you. I have no further questions.

THE WITNESS: Okay.

MR. FEUER: Thank you, Mr. Locke.

(Whereupon, at 3:30 p.m., the deposition was concluded.)

---

GEORGE E. LOCKE

CERTIFICATE OF NOTARY PUBLIC & REPORTER 112

I, JOANNE LIVERANI , the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Joanne Liverani

Notary Public in and for the
District of Columbia

My Commission Expires JULY 31, 2000

# DEPOSITION OF FRANK W. OLDHAM, JR.
# IN RE: S. RES. 120

THURSDAY, APRIL 25, 1996

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER
DEVELOPMENT CORPORATION AND RELATED MATTERS,
*Washington, DC.*

Telephone deposition of FRANK W. OLDHAM, JR., called for examination pursuant to notice of deposition, at 3:40 p.m. in Room 640–A of the Hart Senate Office Building, before JOANNE LIVERANI, a Notary Public within and for the District of Columbia, when were present:

H. CHRISTOPHER BARTOLOMUCCI, ESQ.
Majority Associate Special Counsel
GLENN F. IVEY, ESQ.
Minority Counsel
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Building
Washington, DC 20510
On behalf of the Committee.

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PROCEEDINGS

MR. BARTOLOMUCCI: This is a deposition conducted pursuant to Senate Resolution 120, which establishes a Special Committee under the Banking Committee to conduct an investigation of Whitewater Development Corporation, and certain related matters.

This deposition is being taken in advance of public hearings at which you may or may not be called to testify. I will be asking you questions under oath. If you don't understand a question, please let me know and I will rephrase it, and tell me at any time if you need a break.

Our court reporter is going to prepare a record of the questions and the answers, and your deposition will be treated as committee confidential, until the commencement of the hearings.

And as I explained to you before we began, you will get a chance to review your deposition to make any minor corrections, and you will be provided a copy of it prior to the time that you are called to testify publicly if that happens.

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MR. OLDHAM: Already, sir, that sounds fine.

MR. BARTOLOMUCCI: I think I told you you could be represented by counsel if you wanted to.

MR. OLDHAM: I don't need counsel.

MR. BARTOLOMUCCI: Fair enough.

Just so you know, objections to the forms of questions we note for the record, and it is also permissible to object to questions on grounds of privilege, or being beyond the scope of the Senate's investigation. Ultimately, the chairman of the committee rules upon objections.

I am going to go ahead and ask the court reporter to swear you in.

Whereupon,

FRANK W. OLDHAM, JR.

was called as a witness and, having first been duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. BARTOLOMUCCI:

Q Tell us your full name for the record.

A Frank W. Oldham, Jr.

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Q O-l-d-h-a-m?
A Yes, like "old ham."

Q Can you tell us for the record your current work address.
A 100 West Washington, Jonesboro, J-o-n-e-s-b-o-r-o, Arkansas.
Q And can you give us a fast summary of your educational background.
A I have an associate's degree from Williams Baptist College. I have a bachelor of science degree from Arkansas State University. I have an MA degree, master of arts degree, in marketing from Central Missouri State University. I have a PhD in business administration from the University of Arkansas at Fayetteville, and I am a graduate of the advanced management program at the Harvard Business School.
Q Would you tell us what your present occupation is?
A I am chairman, president and CEO of Boatmen's Bank, B-o-a-t-m-e-n-'-s Bank of Northeast

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Arkansas.
Q Mr. Oldham, how long have you been with Boatmen's Bank?
A Actually with Boatmen's Bank, it was a year in February. Before that, from 1991 till then, I was with Worthen Banking Corporation.
Q Did Worthen have some relationship to Boatmen's Bank?
A They sold out to Boatmen's Bank Shares. In other words, they were acquired. They were merged, and my employment continued after the merger.
Q What was your association with the Security Bank of Paragould?
A In 1983, I became chairman, president and CEO of Security Bank of Paragould and served in that capacity until 1985. Now, I don't know the exact date in 1985, but I think it was probably May or June. In that time, at that time, I became -- I was chairman of the bank and became president and CEO of the holding company that owned the bank and continued in that capacity until July or August of 1991.
Q So you came to Security Bank in 1983 as

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chairman, president and CEO?
A That's correct.
Q Do you remember what month that was or what season?
A The exact date was April the 13th, 1983.
Q And then in May or June of '85, you -- you remained as chairman, but essentially were -- you were running the holding company?
A That is correct.
Q And how would you describe your responsibilities with respect to the Security Bank in those two time periods?
A Well, I had overall responsibility for the operation of the bank, typical of most bank presidents, and also served as chairman of the board, and presided over board meetings.
Q Would you ordinarily have any involvement with particular loans issued by the bank?
A I did -- I did not. Ever since I have been a CEO of a bank, which has been since 1983, I have never made loans. And there is a good reason for that. The reason is, that I don't philosophically

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believe that a person can function as a bank CEO and have a loan portfolio at the same time. I just don't believe you can do your job as well as it could be done, and for that reason I have never made loans.
Like I say, I have never made loans. I have never made loans while serving in the capacity of CEO of the bank or chairman of the bank.
Q When you say that it is difficult to do both, is that simply because of time limitations or is there some sort of philosophical conflict?
A No, there is no philosophical conflict. It has more to do with time limitations. If you are really functioning as you ought to function as a president of a bank, you don't have time to make loans and properly analyze them and properly document them, properly collect them. You just don't have that time.
Q When you say that you don't make loans, does that include things like loan extensions or renewals?
A No. Routinely, while I was at Security Bank, if a loan officer happened to be out of town or

indisposed or gone on a trip or National Guard camp or whatever, and a loan came up for renewal, and that loan officer -- assuming the loan was small enough to be handled by that loan officer alone -- and that loan officer had approved an extension, then it was not uncommon for me to sign an extension agreement simply to facilitate the process in the absence of the loan officer.

And I have loan authority. I can sign extension agreements, and we commonly use extension agreements and do in Arkansas, because of the usury law in Arkansas.

Q Would you explain that to me, briefly, why it is advantageous in Arkansas to use extension agreements?

A Well, the Arkansas usury law limits loans to five basis points over the federal discount rate. That's the maximum that you can charge on a loan in Arkansas. Like today, the maximum that you can charge on a loan in Arkansas is 10 percent.

It doesn't make any difference if it is an unsecured credit card loan or it is a marginal or a



high risk commercial loan or a low risk commercial loan, or whatever it is, the maximum is 10 percent.

Well, if you make loans for an extended period of time, let's say you have made a commitment to somebody that this will go on a five-year amortization schedule or 10-year amortization schedule. Given the volatility of interest rates, you would not want to fix the interest rate for 10 years.

So commonly what happens in Arkansas, is that the loan matures each year. And that loan then is extended for another year with what's called an extension agreement, which, if a loan has performed satisfactorily, is a routine exercise. But it enables you at the time of extension to adjust the interest rate up or down, depending on what interest rates have done. So that way you lessen the exposure of the bank to fluctuations in interest rates.

Q I take it you know Marlon Jackson?

A Yes, I know him very well.

Q How do you know Mr. Jackson?

A Well, he was a stockholder in the bank in

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Paragould. I was a stockholder in the bank of Paragould. I replaced him as chairman, president and CEO of that bank. I have known him for -- well, let me think a minute.

I probably have known him for at least 27 years. I mean we are both bankers. Arkansas is a small state. I probably know 150 bankers in Arkansas, but I consider Marlon to be good friend and at one time a business associate.

Q So you replaced him as chairman, president and CEO at Security Bank when you joined in April of '83?

A That is correct.

Q And when he left subsequent to April of '83, did he have any continuing relationship with the bank, any official relationship?

A As bank commissioner. The relationship that a -- to my knowledge, the relationship that a bank commissioner would have with any state chartered bank in Arkansas. He put his stock holdings, which were considerable, in the bank into a blind trust. To my knowledge, it functioned as a blind trust.

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So --

Q All right. So his responsibility, then, would have been as a regulator of the bank rather than as someone acting in the specific interest of the bank itself; is that fair?

A I think that's a fair statement. I do not -- I have no reason to believe that he would treat that bank any differently than he treated any other state chartered bank in Arkansas.

Q I take it he had to resign completely from the board to assume the position of bank commissioner?

A Absolutely. He not only had to resign completely to the board, but he had to take an oath of office. I haven't read it so I don't know what it contains, but I would assume that it would cover such things as showing partiality or anything of that nature.

Q All right. Now, I am sure you also know William Fisher.

A I hired Mr. Fisher to be president and CEO of the bank, in -- it was either -- I think it was

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either April, May or June of 1985. Now keep in mind I am doing this from my recollection. I haven't done any research on this.

Q No, I think your memory at this level of generality is just fine for our purposes.

A Okay.

Q I am trying to establish a rough time line.

A I am just interested in accuracy. I hope you understand that.

Q Of course.

So essentially at the point where you went on to the holding company, in May or June of '85, you hired Mr. Fisher to replace you as president and CEO?

A That is correct.

Q And do you know how long he was in that job?

A Let's see. I was going to say at least until 1991, when I left, and I believe that's correct. At least until 1991. I left in July or August of 1991. And he served in that job, I know, from 1985 till then, and I think maybe a year beyond

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that.

Q All right. The last person I want to ask you about in connection with the Security Bank is Charles Campbell.

A Yes, sir.

Q How do you know him? What job did he have at the bank?

A Charles was a loan officer at the bank when I arrived full-time in 1983. And I had casually known him prior to that, because he was a banker. But he was there when I got there.

Q And was he there through 1991?

A No. He was not.

Q When did he leave?

A Now this is where my memory may be a little faulty. He was -- he was still there in the summer of '85 when I went to the holding company. I am going to guess, and this is a guess, I think he probably left the bank in 1987. Now, that's just a rough guess, but I think it might have been '87 or late '86, and as I recall, he went to the Bank of Yellville as its president.

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Q At the time you were at Security Bank, Bill Clinton was the governor of Arkansas; right?
A That is correct.
Q And did you know Mr. Clinton?
A In 1983, I would say that our acquaintance was casual. But you need to understand that, most of Arkansas knows Mr. Clinton, and he knows most of Arkansas. In fact, he is kind of an amazing guy. He could come over here on the Court Square of Jonesboro, Arkansas, and I bet you if 200 people walked up to him over there and he had ever met them before, he could call them by name. He has an amazing memory for names.

So I would -- he could call my name, is my point. I had known him and known of him since his days at University of Arkansas at Fayetteville as a law professor or when he ran for Attorney General and that sort of thing, but I would call our relationship at that point very casual.
Q Did it ever become more than casual?
A Not -- not -- no, not really.

I mean our relationship has improved over

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the years. If you mean by that, does he know me better now than he knew me then, the answer would be yes. If I walked in the Oval Office today, he could call me by name and he could ask me how my wife is, and how my two kids are and he could call out the two kids' names, but he knew that for a lot of people, you need to understand.
Q I was just trying to get at whether he knew you better than he seems to know the -- most of the people of Arkansas, or whether you were in that same category.
A I have been a supporter of his every time he's run for public office, but I mean, so have thousands of other people, I guess is my point.

Where are you from?
Q Well, normally I ask the questions in these things, but I don't mind telling you I am from Florida.
A Okay, you are from a very popular state.
Q Yes.
A Arkansas has just over 2 million people. I mean the whole state. And as many times as he ran

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for office, he knows lots of people just as well as he knows me, I guess is my point.
Q Okay, and do you also know Mrs. Clinton?
A I met Mrs. Clinton for the first time, it would be in the fall of 1991. It was just -- it was the day that Mr. Clinton announced his candidacy for president and there was a reception at the Excelsior Hotel in Little Rock, and my wife and I went to the reception to congratulate the governor, and Mrs. Clinton was there with him, and that is the first time, to my recollection, that I ever met Mrs. Clinton.
Q Is that the only time you have met her?
A One other time. Last year sometime, there was an Arkansas function, and I forget the name of it, at the White House. And my wife and I went to that function. We were invited to a reception in the Rose Garden, and to my recollection, I met Mrs. Clinton for the second time then.
Q Do you know how you came to be invited to this?
A My banking company, Boatmen's Bank Shares,

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was a corporate sponsor, one of 10 or 20 corporate sponsors of this picnic that was had at the White House, and I was asked to represent our banking company at that picnic.
Q So really then -- when you say you were asked, were you asked by the company or by someone at the White House?
A No, I was asked by the company.
Q By the company?
A Yes.
Q And I take it at this garden party you never had occasion to talk to the Clintons about Whitewater?
A I have never had any discussions with the Clintons or any of their staff about Whitewater.
Q Fair enough.
A I had never heard of Whitewater until the 1992 presidential election, and I can remember my first reaction when I heard the term "Whitewater." I said -- my thought was, what in the world is that? Of course, it soon became clear what it was.
Q So I take it prior to that time in the '92

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elections you didn't know about the Clintons' investment in the Whitewater real estate deal?

A No. I knew that the governor had a small loan at Security Bank, but I didn't know that that had any relationship to Whitewater, and to this day, I really don't know that it does.

Q Did you or do you know Jim or Susan McDougal?

A Never had the pleasure of meeting them. I mean that a little bit tongue in cheek, but -- no, I do not know them. I never met them.

Q Do you know if anyone at the Security Bank had a relationship with the McDougals?

A To my knowledge, no.

Q Let's start talking about that particular loan. That's really supposed to be the focus of our deposition today.

A Okay.

Q According to the documentation we have, Governor Clinton took out a loan in the amount of $20,800 from the Security Bank on September 30th, 1983.

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A What was the date again?

Q September 30, 1983.

A Okay.

Q Is this the loan that you said you were aware of?

A Yes. I thought it was $23,800.

Q That was the original loan amount. I don't know how much they ended up paying in the final analysis.

A I knew it was over 20,000 and I thought it was 23,000, but $20,800 sounds just as correct to me.

Q You would have been at Security Bank a little less than five months at that point. Did you have anything to do with this loan being taken out?

A You know, I guess it was last year about this time, I am not certain of the exact dates, but I got a call from local FBI agent who said he needed to come by and ask me some questions about this particular loan, and --

Q Let me interrupt you, because we really don't want to intrude upon any potential confidential communication you had with the FBI.

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A I don't think there was anything confidential about the communications I had with them. It was pretty routine conversation.
Q Okay. Well, I mean --
A I don't mind it. It doesn't worry me.
Q Well, I guess -- it is fine for you to divulge the knowledge that you have to us.
A Okay, let me just say it this way. I was interested in accuracy and being as factual as I could be, so not knowing really any of the details about it, I took it upon myself to go over to the bank and request to see a copy of the loan file so that I could get familiar with it, which I did.
I flipped through it, and so I have some surface knowledge of the loan and the loan documents and it is then when I looked at the loan file that I realized that I had signed an extension agreement. I don't know whether it was one year or two years after the loan was made, but I saw that I had signed an extension agreement. I did not see anything out of the ordinary about the loan. In fact, if I had a similar application today, and I was the loan

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officer, I'd approve the loan based on what I saw in that file.
Q Can you tell me when you reviewed the loan file in connection with that FBI interview?
A I can't give you an exact date. It was probably -- what I don't remember was the -- I don't know the exact date they came. Why, is there a problem with it?
Q I wanted to know what year it was.
A That would be 1995.
Q I wondered how recently you had gone through the stuff.
A About a year ago.
MR. IVEY: Mr. Oldham, there is not a problem about you having talked to the FBI or mentioning it. The committee has tried to not step on the toes of the Independent Counsel's investigation.
THE WITNESS: I apologize for mentioning that I didn't realize that and I am trying to be candid.
MR. IVEY: And we appreciate that.

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MR. BARTOLOMUCCI: Certainly do.
BY MR. BARTOLOMUCCI:
Q Let me ask you this. There is an article that appears in The Arkansas Democrat Gazette from 1994 where the loan is discussed and Marlon Jackson is interviewed, and in that article, Mr. Jackson says, he didn't know anything about the loan at Security Bank for eight or nine years, and that the Clintons' connection to the Security Bank was through its chairman at the time, Frank Oldham, whom they knew from the period in the 1970s when all three lived at Fayetteville.
A Well, actually, I don't -- I am not sure that I actually lived at Fayetteville at the same time the Clintons were there. I may have, 19 -- I was in Fayetteville 1971, June of 1971 until August of 1973. I never had any interactions with Bill or Hillary Clinton during that period of time. I think Mr. Jackson is mistaken about that.
MR. IVEY: Or the news reporter.
THE WITNESS: Or the news reporter, that's true, and that would -- I would be more inclined to

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say the news reporter was mistaken about it from the quality of reporting I see nowadays.
BY MR. BARTOLOMUCCI:
Q What about the claim that you were the Clintons' connection to the bank with respect to the loan?
A I don't have any idea where that idea came from. I think if I had gotten a call from Bill or Hillary Clinton or any of their representatives or staff, I would remember it. I mean, don't you think you'd remember it if you got a call from the governor or the first lady in requesting the loan? I think I would remember it, and I have absolutely racked my brain trying to remember if I actually got a call of that nature, and I cannot remember getting a call.
I must tell you, though, if I had, and they had requested to borrow $20,000 or 20,000 -- what was it, $800?
MR. IVEY: Yes, sir.
THE WITNESS: That given the information that I have seen, I would have approved the loan. I mean, there are credit cards that have those kind of

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balances on them.
BY MR. BARTOLOMUCCI:
Q And that's true. Even though it was an unsecured loan?
A It was not uncommon for us to make unsecured loans. In fact, our bank policy -- and it's common policy -- is that an unsecured credit could be made up to 10 percent of the applicants' net worth. I do recall from looking at that file last year that I think the financial statements that the Clintons submitted showed a net worth of over $300,000 at the time. And so certainly that loan was well within that 300 -- was well within that 10 percent general rule of thumb.
You need to understand that's a general rule of thumb; it is not an iron clad rule. There have been cases where we have made unsecured credits -- I am talking about the banks that I have been CEO of -- have made unsecured credits for short periods of time in excess of 10 percent, not much in excess of 10 percent, depends on the liquidity and the nature of the assets of the individual making the

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application.
Q I note on the loan form it is a one-year note, and I take it that was done probably for the reasons you set forth at some length at the beginning of the deposition?
A I would venture that 95 percent or more of the loans that were made in that bank and most other banks in Arkansas -- because that bank wasn't unique -- were for one year because of the usury issue. Keep in mind, in the late '70s and early '80s, as I recall, interest rates were pretty high, and pretty volatile. Due to the usury situation in Arkansas, you could not afford, because of asset liability management issues, to extend the loan out. In other words, if it were going to be a five-year loan, you didn't make five-year fixed rate loans. You just didn't do that. It was bad decisionmaking.
Q Now, based upon your review of the file, and I take it you saw the loan application itself, you didn't see anything remarkable or out of the ordinary about it, about the loan application?
A I didn't think the -- I didn't think the

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application was filled out quite as in detail as it probably should have been, but apparently, from the file, there was a fairly detailed accompanying financial statement.

I might add at that time, on small loans of that nature, and that was a small loan for that bank, that it was not uncommon for the loan applications to not be filled out in detail.

Q So you don't have any reason to believe this loan wasn't handled normally?

A No, I really don't.

Now, my knowledge of the loan and how it was handled, you must understand, is really for a two- or three-year period there, although I must admit that there were not many loans that were made in that bank, many of them after the fact, that I didn't review. In other words, I looked at the files. So did the board. We shared the loans of that bank, on a monthly basis, all the loans of that bank, in report format with the entire board.

Q And this loan wouldn't have received any favorable treatment because it was the governor's

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loan, would it?

A No, I don't think so, I really don't.

If somebody had called me from the governor's office, or the governor himself, I would have said, although I do not recall anybody doing this, you understand, I would have said, sure, Governor, we will consider the loan. Send me your financial statements and we will send you an application. And you fill out this application and return it, and we will get back with you. That's exactly what I would have said.

Q You think the same loan application by someone with similar assets and credit history and job of similar stability also would have had such a loan request approved?

A Well, I think so. As I recall at that time, and from reading, as I recall at that time, I don't recall at all reading all this hullabaloo and the press accounts and all this about Mrs. Clinton. I think at that period of time she probably was a partner by what was considered by people to be the number one law firm in the state and so she

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certainly, if she was a partner at that time, she certainly had the income and the wherewithal, on her own, to amortize that loan. The governor then and the governor now don't make that much money in this state. I think the governor's salary then was probably $30,000 or $35,000 or something of that nature.

Q Do you recall having any communications with the governor or Mrs. Clinton about the loan? Did you ever meet with them about it or talk to them about it?

A I think I can categorically state, emphatically state, under oath, which I recognize I am, that to the best of my knowledge, I think the best of my knowledge is 100 percent, that I never had any discussions with the governor or the President, the First Lady, or any members of their staff or their representatives about their financial affairs.

Q Including this particular loan?

A Absolutely.

Q So then you wouldn't know what the purpose of the loan was?

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A No. As I recall in looking at the file last year on the application, I believe it said something like business expense or business purposes; is that not correct?

Q It says "business expenses."

A Okay.

Q I will ask this just on the off chance it refreshes your recollection. It is our understanding that the proceeds of this loan were used to pay off a separate loan at Madison Bank & Trust, that loan having been taken out in connection with the Clintons' purchase of a model home for one of the lots at Whitewater, which is what brings us to this loan in the first place.

A Yes, I read that in the newspaper.

Q And you don't know anything about that from your own knowledge?

A No. Not until I read it in the newspaper. I'm also in the middle of reading this book called "Blood Sport." Have you read that book?

MR. IVEY: Save your time.

THE WITNESS: Everybody tries to profit off

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of this thing, everybody but the Clintons.
MR. IVEY: Off the record.
(Discussion off the record.)
MR. BARTOLOMUCCI: Now we are back on the record.
THE WITNESS: Sorry for the lightheartedness.
MR. BARTOLOMUCCI: Fair enough.
BY MR. BARTOLOMUCCI:
Q The loan application reflects that it was approved by CDC. I take it that's Charles Campbell?
A I am thinking if there is anybody else it could have been. I am certain -- I say I'm certain. I know in all likelihood that is Charles D. Campbell.
Q I see a letter that he wrote where his middle initial is D. So you didn't have two people with the initials CDC?
A I am sure that's who it was.
Q Incidentally, would you know whether a loan from Madison Bank to the Clintons would have been considered an out-of-territory loan with respect to that bank?

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A Madison Bank, are you talking about?
Q In Kingston.
A Madison Bank of Kingston. It would depend -- and I say this only on the knowledge of our loan policy at Security Bank -- it would depend on how their loan policy read, actually. Because for example, in our loan policy at Security Bank, it said -- I believe it said that our primary market was a 50-mile radius of Paragould, Arkansas but it also said that we recognize from time to time that there would be opportunities to make loans elsewhere in Arkansas, and in the Boot Hill of Missouri, and so we allocated in that loan policy for those opportunities, and as a matter of fact, we had several loans on our books in Little Rock, Arkansas.
Q All right. Now, this particular loan, the one from Security Bank to the Clintons would not be considered an out-of-territory loan?
A No. Not in its general definition, not in that general definition I just gave you. In a very strict definition, it certainly because it is outside the 50-mile radius, but we had several loans in

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Little Rock, and elsewhere in the state.
Q All right, now, with respect to that financial statement that you saw, I note that on the second page of the loan application, there is a sort of a chart which says "documents required," and then you go down and it says "financial statement" and that's checked off. It is actually the only thing that's checked off in that particular chart.
A Right.
Q So, would that have been required pursuant to some policy at the bank or state law or federal regulation or would that have just been up to the discretion of the loan officer?
A No. Two things. One, it is the policy of the bank that you have a financial statement on a borrower. Number two, it is an implied strong suggestion -- I chuckle when I say that because there are no such things as implied strong suggestions from bank regulators -- if they say that statement, it really means required from bank regulators. You just don't make loans without financial statements, without seeing the purported financial condition of

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the applicant. That's not good policy. It is not a violation of the law that I am aware of, but it is not good policy, and it certainly would be frowned on by regulators.
MR. IVEY: Just for the record, if Mr. Bartolomucci could state whatever the exhibit number is that he is reading from, for the record.
MR. BARTOLOMUCCI: I am afraid this particular document doesn't have a Bates number on it, but I would be happy to let you examine it after the deposition.
MR. IVEY: Is this still the --
MR. BARTOLOMUCCI: I will do my best to describe it.
THE WITNESS: Is that the only financial statement in the file?
MR. BARTOLOMUCCI: I am not looking at the financial statement right now. I am looking at the Security Bank loan application.
THE WITNESS: Oh, okay.
MR. BARTOLOMUCCI: It is the Security Bank loan application which says "documents required," and

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then a check mark by "financial statement." So that's the document I have been talking about.

THE WITNESS: Okay.

BY MR. BARTOLOMUCCI:

Q Just to clarify your policy at the bank, would it have been the bank's policy to require a financial statement with every loan or just loans above a certain amount, or was that really the loan officer's call?

A I can't recall specifically in 1983, whether it was -- as I recall, there seemed to be some threshold. It might have been $10,000 or $5,000 or something like that, and any loan over those amounts would have required a financial statement, but I don't remember -- I mean, the thing that I would like for you all to understand -- and I think you understand this, and I think both of you understand this very clearly -- is this was 13 years ago. This wasn't last year or the year before last. It was 13 years ago.

But it -- my vague recollection is that there was some amount of loan under which we didn't

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get financial statements. I mean we knew the borrower, small town, we knew the borrower, we knew the reputation of the borrower, we knew where he was employed, we knew his family and some of those borrowers were for very small amounts. They didn't have financial statements. They didn't know what they looked like.

Q As far as you know, was there any state or federal regulation or law applicable in 1983 that would have required a financial statement for a loan of this size?

A No, not that I am aware of. I am not telling you there was not. Bank regulation books are about 5-foot thick. I am exaggerating a little bit. We might look in a nook and cranny in there and find something applicable to this, but I think it was the bank's policy and the bank's requirement that for a $20,000 unsecured loan, you would require a financial statement. But as far as an existing law that I can cite and point to, I can't do that.

Q Now, although the loan application is dated September 30, 1983, it is our understanding that the

financial statement that the Clintons submitted was dated April 25th, 1983 and was addressed to the Bank of Cherry Valley. Did you notice that when you went through the loan file? Let me back up.

Do you remember coming across the financial statement?

A Yes, I do. I am trying to think whether I noticed anything related to the Bank of Cherry Valley when I looked at the financial statements. I may have, but quite frankly, I don't remember whether I did or I didn't. If I did, it didn't make any impression on me. I mean, it didn't hit me between the eyes and make me say, well, what is that or anything like that. I could have, but I don't specifically recall that.

Q Can you think of a reason why they would have submitted a Bank of Cherry Valley financial statement from a few months prior, submitted that to the Security Bank in connection with their Security Bank loan?

A The -- and I may have my times all mixed up here, I need to preface this, but a member of the



governor's staff, or administration, or he was a part of the administration, I guess, was a man named Maurice Smith.

Q Yes.

A Okay. And Maurice Smith, as I recall, was a maybe chairman, or significant stockholder anyway, in the Bank of Cherry Valley. But that would be the only connection I would know. I don't want to get into speculation because speculation is not facts. But that's the only -- that's the only connection I could make between the Bank of Cherry Valley and Governor Clinton and what you told me about the statement saying it came from the Bank of Cherry Valley.

Q Really what I was driving at was this: If the Clintons are taking out a loan in September of 1983, would it have been acceptable for them to submit an April 8th, 1983 financial statement to another bank?

A Yes, it would.

I say yes it would, it would have been acceptable at Security Bank of Paragould because the

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requirement was that a financial statement be less than a year old.

Didn't you say April '83?

Q I did. I did.

A The financial statements are considered outdated if they are older than one year old by regulation. It is considered not to be a current financial statement.

Q So if they were told, look, you guys have to submit a financial statement, and they said, okay, we've got this one from five months ago, at -- from -- this we submitted to the Bank of Cherry Valley, they might well have been told okay, just submit that?

A Yes, there is no question about that. That happens today. A lot of our customers today do business with more than one bank. And particularly our customers who use accountants, and they would submit us the same statement that might be several months old that they submitted to another bank. I mean, I guess to sum that up, no, that would not be uncommon nor would it be unacceptable.

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Q One of the assets they list in the real estate portion of the financial statement is a half interest in 200 acres in Marion County. I don't suppose you know anything about that, do you?

A Well, having read "Blood Sport," I do.

Q Prior to the time you read "Blood Sport."

A No. Marion County is --

Q That's where the Whitewater tract is located.

A Marion County is the county where the Whitewater tract is.

Q We understand that to be a reference to the Whitewater land development.

A Okay.

Q In other words, that was listed. The Whitewater development was listed as -- was scheduled as an assets on the financial statement.

A Okay.

Q I just wanted to make sure you didn't know anything about that.

A No.

Q Just generally, any borrower would be under

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a legal obligation to be truthful with respect to the information that they provide in a financial statement?

A That's correct.

Q And you and bankers generally would take that obligation very seriously; right?

A That is correct.

Q And in fact, it would be a crime to deliberately provide false information on such a form?

A That is correct. I think the key word is "deliberately" provide false information.

The reason I preface that is that borrowers' opinions of what something is worth might differ from my opinion about what something is worth, or your opinion about what something is worth. In other words, people make investments, they make it with the expectation of a return, and I think human nature is that you tend to be optimistic about that.

Bankers recognize that when they look at financial statements. And I sometimes make mental adjustments for that when I am looking at somebody's

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financial statements.

Q So your bank wouldn't have done any investigating about what it considered to be the accurate value of that property or any other -- any of the other assets scheduled?

A No, you have a man with apparently stable employment; at least he's thought well enough in the state to be elected governor. You have a lady who is I think -- I am not certain of this -- at that time a partner in what's considered to be the number one law firm in the state, two people that are well known to everybody in the state, and there would be no reason to really question anything they might provide you.

Q Now you alluded to earlier to having come across, during your review of the file, an extension agreement that you signed.

A Yes.

Q I can help you out here because I have a copy of it.

A Well, good. Can you make out my handwriting on it?

MR. IVEY: Just barely.

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BY MR. BARTOLOMUCCI:
Q Well, you can see the O-l-d pretty clearly.
A Okay.
Q So I figured out it was you, but let me just tell you what that document reflects, and see what you can recall about it.
A Okay.
Q It is an extension agreement, appears to be a fairly small piece of paper, sort of 5 by 8?
A Yes, they were half -- half of a regular size sheet of paper, approximately.
Q It says "amount extended, $18,800, from 9/30/84 to 9/30/85."
The date on it is listed as 9/30/84. It's got the signatures of apparently Bill and Hillary Clinton and your signature.
What do you recall about this extension agreement?
A Well, the interesting thing about it is I didn't recall anything about it until I saw it in the file, and I still doesn't recall anything about it,

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and I have absolutely tried to remember any kind of specifics surrounding that extension agreement.
First of all, the extension agreement, I think I have already mentioned in my testimony, would be routine because of the one-year nature of the loans. Secondly, I signed several extension agreements during my tenure as CEO of that bank, as I think I have told you before, when a loan officer would be gone or out of town or -- and it needed to be mailed, or delivered if it was local or however, whatever happened to that extension agreement. So it would have been routine for me to sign that extension agreement.
Q Given that the form bears the signatures of both of the Clintons, you wouldn't have been in their presence when this was executed?
A No. I can tell you that I'm 99 percent certain it was executed in my office. In other words, I sign it in my office, not in their presence.
Q Would they have signed it first, or first you signed it and then it went to them? How would that work?

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A I would have signed it first, because it had to be approved before they signed it. There was some verbal agreement that it would be extended, and they already had an extension agreement from somewhere. Do you follow what I am saying? Those extension agreements are pretty standard items, is what I am saying.

Q So you would sign it --

A Does that extension agreement have "Security Bank" at the top of it?

Q It does.

A It is possible that -- although I don't think this is the way it happened, it is possible that that extension agreement could have been sent to the Clintons for their signature and when it got back, I could have signed it. Or it is also possible that I could have signed it and it was sent to the Clintons for their signature. Do you follow what I am saying?

Q I do.

A Okay.

Q One thing I was curious about, there is a

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little notation at the top which appears to be "loaded" and it gives a date 12/27/84. What does that mean, "loaded"?

A I was asked about that before and -- I didn't know what it meant, so I asked about what it meant afterwards. What it meant is that that's the day that it was loaded on to the computer. And I thought, well, why that date, and why the -- what did you say the date of the extension agreement was.

Q September 30, '84, which would have been the date the loan was due, and the loaded date was December 27, 1984.

A What I suspect happened -- I will be candid with you about what I suspect happened, but I don't know that this happened. What I suspect is it probably took 60 days -- October, November, what is it, 12 --

Q 12/27, almost three months.

A It might have taken 90 days to chase them both down for their signatures.

Q Assuming that's what happened, I think we have some evidence that it took a while for them to

sign this, which I will come to, would that have been problematic, that the September 30th, 1984 date had come and that the extension agreement signed by the Clintons hadn't come back for almost three months later?

A Would it -- what do you mean by "problematic"?

Q Did that cause the status of the loan to change in some remarkable way or --

A No, it didn't cause it to -- it would show up on the past due list and if the loan, if the loan went beyond -- I need to see the loan policy at that time. And I am talking off the top of my head -- as I told you, this was 13 years ago -- but I think the policy was that if the loan was either 90 or 120 days past due, that you put it on nonaccrual.

Q What does that mean?

A That meant that you charge off the interest, and you quit accruing interest on the loan until you either get it in a current condition or you collect the loan. It doesn't mean that you don't collect the interest, you know, the additional



interest that's due. It just means so that your bank's books are accurate, there has to be a cutoff point out there at which you quit accruing interest on a loan that's past due.

Q So it would stop accruing interest, but then if there were any extension, that would relate back to the date when it stopped accruing?

A That's correct.

Q So the --

A In other words, you have to be very careful about something like that because you don't want any interest to fall through the cracks.

Q All right. Let me put another couple of documents in next and see if this clarifies things further. We've got a notice of past due loan payments to Bill Clinton. This is dated October 5th, '84, or in other words, about a week after that extension.

A Yes.

Q And it says payment amount due, $23,680.24?

A Maybe that's where I got my $23,000 from a little while ago.

Q I suppose it is.
What I surmise from this -- and tell me if I am right -- maybe you or someone from the bank filled out the extension agreement and dated it September 30th, 1984, the loan wasn't paid, so it became past due, this notice, for $23,860 went out to Bill Clinton, and then only later did the Clintons sign the extension agreement and then again the loaded date was 12/27/84?
A I can only speculate. Do you want me to speculate?
Q Well, labeling it as such, sure.
A Okay. I just want you to know that I'm labeling this as speculation.
What I speculate happened is that extension agreement was mailed to the governor. Now, from -- again, from reading the newspapers, "Blood Sport" and all this stuff that's been written, it is my impression that the governor, now President, doesn't pay very close attention to financial affairs.
And this extension agreement probably landed on his staff or some staff member's desk or



whatever at the Capitol and it probably laid there for whatever period of time. And these past due notices, probably -- what's the address on that past due notice?
Q 1800 Center, Little Rock?
A 1800 Center, Little Rock.
Q That's all it says, what, is 1800 Center Little Rock? Do you know? I am afraid I have never been to Little Rock.
A I know where Centre Street is, but I don't know --
Q That's not the governor's mansion?
A It might be.
Q Is the governor's mansion on Centre Street?
A Let me think about where Centre Street runs across. Liberty Mills Freeway because the governor's mansion is out in -- what's called south Little Rock. That could be. That could be, but I don't know that's the address. I just know how and where it is. I don't know where 1800 Center is.
Anyway, it is Little Rock. I suspect that these past due notices either went to the governor's

office or that might be an incorrect address for all I know.

Q Well, looking back, it is the address that was provided on the loan application.

A That would probably, and I say probably, be the governor's mansion.

Q When this loan became past due, when would the bank have taken some further action with respect to the loan if no payment was forthcoming or what would have been the procedure or usual course following the issuance of a past due notice?

A The usual course would be that the loan probably got 30 days past due before anybody really paid much attention to it. And then a letter might be mailed explaining that the loan was past due and arrangements needed to be made to extend it or make a payment on it, and so on, and there might even be two or three letters before that would happen and that might roll out to about 60 days past due.

If you got out past 60 days past due, a personal visit might ensue; in other words, camp on the door step, a personal visit might happen, a



collection effort. If there were some extenuating circumstances about why the extension agreement hadn't been returned, allowances might be made for that. But generally there would be about a 60-day period of time in there where the attempted communication would either be by telephone or by mail.

There was no specific set pattern other than that. We had a little computer there that spit out these past due notices and then we had some standard collection letters that were produced by computer, that would go out. Telephones probably wouldn't go into use until 45, 60 days out.

Q Referring to that loaded date, 12/27/84.

A Now, that load date would be probably the -- that would probably be the actual date that that was put into the computer. The extension agreement could have been signed, in -- and sat on their desk for a long time. It could have been signed at the time of the date that was on it, but that load date is the date that it was in our hands to put it into the computer.

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Q Would you know if it is likely you would have had it long before the load date, or would it likely have been loaded very soon after you had received it?

A I would say it is probably -- and I emphasize probably because I don't know -- those extension agreements don't come into the loan officer's offices. Typically they go into the note department just like payments go into the note department. They don't come -- they didn't come to me as CEO of the bank or to the loan officers. They were mailed in to a central collecting point called the note department.

So, probably three or four days at most, maybe a week, depending on the work load because, you see, in one sense it didn't make any difference because the interest was still accruing. You follow what I am saying? It was just a matter of getting it off of the past due list.

Q I guess I am just wondering since the loaded date is almost three months after the date on extension agreement, and since that would appear to

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be more than 60 days, whether some action might have been taken with respect to the loan.

A I'm sure some action was taken, but I don't know what it was. I mean I didn't attempt to collect it. I didn't work past dues. The people who make the loans are the people who are responsible for the past dues and/or collecting the loans.

Q And there might not be any concern about a past due if the officer knew that an extension was in the works, that he had an expression from the borrower that they wanted a extension and the form was in the mail?

A That's correct. I think that's a fair statement.

Q We have one other interesting document from about this time frame. It is an October 22nd, 1984 -- again, that puts it a little under a month after the date of the extension agreement. This is a note written to Jim McDougal from Hillary Clinton. It says "I asked Security Bank to extend the note but apparently my written request fell on deaf ears. Enclosed is the latest notice demanding payment.

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Will you please ask someone to take care of this for us?"

A I am not laughing at what you are saying. I am laughing at -- that's an interesting piece of communication.

You know that's the first time I have ever heard that or knew of that.

Q That didn't make its way into "Blood Sport"?

A I don't remember that being in "Blood Sport." It may be.

MR. IVEY: I think you will come to that.

BY MR. BARTOLOMUCCI:

Q I guess you don't have any personal knowledge about it.

A No. No. I am just sitting here thinking why she thought that it fell on -- that her request to extend the loan would fall on deaf ears. The only thing I can figure out there is that she did not receive the extension agreement herself. You follow what I am saying?

Q Sure.

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A That it went somewhere else, maybe to the governor's desk or whatever, I don't know. But it is apparent to me that she has not seen the extension agreement.

Q Or apparently she doesn't even know about it. Since the agreement is dated 9/30/84 you would think at least they would know it was in the works?

A Yes. I don't know how to react to that. That's the first I ever heard of that.

Q Okay, moving on to a different time frame, there's a -- we have a letter dated November 1st, 1985, so we have jumped forward about a year. It is written by Marlon Jackson on Arkansas State Bank Department letterhead. He signs the letter over the title bank commissioner, and it is addressed to Charles Campbell, the vice president of Security Bank.

And it says "Dear Charles: I am enclosing the extension agreement which Governor Bill Clinton signed yesterday. It is my understanding that Jim McDougal, a close friend as well as business associate of Governor Clinton, is to forward to you a

check for $2322.42 representing the interest due on the note. In discussing this matter with Jim today via telephone, he indicated that he intended to make a 4- or $5000 principal reduction in addition to the interest payment. After making the appropriate approval of the extension agreement, please return the appropriate copy to me and I will personally deliver it to Governor Clinton.

"Also, please return copies of the receipt to me so that Jim McDougal may know that the proper credit has been given. Please provide Jim with a copy of the receipt for the payment of the interest and principal along with a copy of the extension agreement. I trust that this meets with your approval and that it will soon remove the note from the past due list. Sincerely, Marlon Jackson."

That's the whole letter.

And I guess the question I have for you, is it -- do you think it is proper for the bank commissioner to be essentially requesting that the vice president of Security Bank approve an extension agreement and participate in the handling of this



loan taken out by the governor?

A I guess the best way I could answer that is if I were bank commissioner, I would not have done that.

Q And you would not have done that out of a sense that it might be improper?

A No, not necessarily. That for me -- I don't think it is improper for the bank commissioner, if requested, to try to facilitate a routine bank transaction. In and of itself, I don't think that's improper.

What I am saying that if I were bank commissioner, I would not have written the letter, nor would I have -- I just wouldn't have done that. I mean -- I can't really comment on that. I mean I -- I wouldn't have done that.

Q Are you aware of any other instances in which Marlon Jackson as bank commissioner interceded on behalf of a borrower at the bank with an officer of the bank?

A I don't have a copy of that letter in front of me. In other words, I can't -- my memory is not

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quite good enough to remember it. Was the slant of the letter that he was interceding or was the slant of the letter that he was just facilitating.

Q Well, let me reread a couple of portions of it.

A Okay.

Q "Dear Charles, I am enclosing the extension agreement which Governor Bill Clinton signed yesterday."

A Okay, now, could we pause there a minute?

Q Sure.

A What that implies to me is that the extension had already been approved. You follow me? "I am enclosing the extension agreement."

Q True that --

A Okay, okay, that's why I said was he just facilitating a transaction or was he trying to influence the bank to make a decision? That first sentence seems to say to me that the decision had already been made.

Q Well, let me read you the fourth paragraph down. I read this before, but before I had read the

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whole thing. The fourth paragraph says, "after making the appropriate approval of the extension agreement, please return the appropriate copy to me and I will personally deliver it to Governor Clinton." I think that implies that it hadn't been approved yet and sort of requests or even -- more than that, almost directs that approval be made; doesn't it?

A Well, first of all, I don't think the governor would have been in possession of the extension agreement, if the -- that's my point in this.

I am not trying to protect anybody. You need to understand that. I am just trying, as I've done all the way through this testimony, to be fair and to try to be factual.

If the governor were already knowing bank procedures, if the governor were already in possession of the extension agreement, it would not have been sent to him had it not already been approved. I just don't believe that.

Now -- and I understand what you are

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saying, because down in that last paragraph, it seems to say, when you approve this, my point is that it had already been approved, from what I can gather, because he wouldn't have the extension agreement in the first place. I mean, keep in mind this is the first time I've heard of this letter.

Q It is possible, isn't it, that Mr. Jackson had a blank copy of the extension agreement, and had the governor fill out his portion of it, and then sent it for the first time to Mr. Campbell with a request to sign off on it?

A I guess that's possible. I think you would have to ask Mr. Jackson about that.

Q Well --

A Or had you asked him about it?

Q We have interviewed Mr. Jackson. I am not sure exactly what response he gave, frankly.

A Okay.

Q And we will be talking to Mr. Campbell. But on the assuming that the extension agreement had not already been approved by Mr. Campbell or anyone else at the bank, and that Mr. Jackson was forwarding

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the agreement with an initial request for its approval, and doing so as bank commissioner on official letterhead, you would have a problem with that; right?

A If I were the bank commissioner, I would not have done that. I would not have written the letter. I wouldn't have used bank department stationery. I mean I just -- that's just me. I mean I -- I am interested not only in propriety, but the appearance of propriety as well. You follow what I am saying?

Q I do, and I just want to note for the record that the date on this, November 1st, 1985 is after the point at which you stepped down as chairman and president.

A Well, no, I was still chairman.

Q You were still chairman. You are no longer president and CEO of the bank.

A That's correct. May I add one think to that.

Q Sure.

A The approval of the extension agreement,

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was -- as I recollect about loan authority at that time was totally within the loan authority of Mr. Campbell. In other words, it didn't have to go to a committee or it didn't have to have any other approvals. It was within his loan authority, as well as the original loan was within his loan authority.

So there is no reason for anyone else in the bank to be involved in the decision. I might also add that that extension agreement would probably be a slam dunk. In other words, that wouldn't be a hard decision. That would be an easy decision.

In other words, if -- and I emphasize "if" because I have known Marlon Jackson for a long time and I have never witnessed him involved in any kind of impropriety -- if he were trying to influence the loan officer, there was no reason to. I mean, the loan officer had an easy decision there. I don't think they were -- they were making payments on the loan. These were two very busy people, two very busy people that were hard to get together at the same time apparently because they let the thing get past due. And if you read "Blood Sport," you know that

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there was -- I think about that time, this seemed to be some tension rising between the Clintons and the McDougals or at least between Hillary and McDougal. That might have had something to do with it. I don't know.

MR. IVEY: Don't give that one too much credence.

THE WITNESS: I don't know. I mean I really don't know.

MR. BARTOLOMUCCI: We can all read "Blood Sport" and maybe we will get a chance to hear from the McDougals and draw our conclusions on that later.

BY MR. BARTOLOMUCCI:

Q To be clear on one thing, as of November 1st, 1985, Marlon Jackson would have had no official position at the Security Bank; correct?

A He had no official position at the Security Bank since April of 1983.

Q Right, he was the bank commissioner.

A I think he was bank commissioner for about four years, as I recall, till maybe sometime 1987 or '88. Maybe it was five years.

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Q Well, there -- this loan goes on through 1988. Since -- since you went up to the holding company, in 1985, I -- I am not sure that you will have a lot to add about the various and sundry events and documents that occur hereafter.

A I can tell you the first time I thought about the loan since 1984, I guess, since I signed that extension agreement, was 1992 or '93, might have been '94. It was two or three years ago. I was sitting in my living room with my wife watching the evening news at 6:00 and the local TV station comes on with their lead story and it says, "local bank connected to Whitewater," and it showed a picture of Security Bank in Paragould. My wife will tell you that I came unglued in terms of irresponsible reporting. That was the first time that I had ever thought about that loan since '84 or '85.

Q Let me just ask you some more -- a few minor questions. One extension agreement I am looking at, there is a box where it says "dealer."

A Says what?

Q "Dealer."

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MR. IVEY: Do you have a Bates number on that or a date or anything?

MR. BARTOLOMUCCI: It is the extension agreement that bears number 5116. That's not a Bates number. That appears to be the number on the extension agreement form.

This is the extension dated 10/11/85 for the record.

BY MR. BARTOLOMUCCI:

Q But again, Mr. Oldham, there is a box that asks -- that says "dealer," d-e-a-l-e-r, and it has some initials in it.

Who would the dealer be with respect to an extension agreement?

A Dealer?

Q Do you know what that term means?

A No. You know when you use that term, I think car dealer.

Q It is a term from your form so --

A Yes, what's the date on that form? Was it on the first -- was it on the form I signed?

Q There was a box for it. It wasn't filled

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in.
A Okay.
Q I will tell you it is in a series of boxes that read "class," "note number" --
A I'm sorry?
Q There are a series of four boxes that read "class," "note number," "orig date," and then the fourth box is "dealer," and this has the initials SG/TH. Does that help you any?
A No, it really doesn't. The only thing that I can think that that might be, would be the initials of the note clerks that inputted the -- that inputted the document into the computer system. But I don't understand the box called "dealer." I mean, I don't know what that is.
Q Okay, referring you to this same extension agreement, the one dated 10/11/85, the line labeled "approved by" has some initials that appear to read, something like JG. Do you know who that might be? It could also be a JS, maybe.
A A JG?
Q Yes, that's my --

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A Or an SG.
Q It could be an SG?
A If it were an SG, you know, I'd kind of like to see it. If I could see it, I could help you more.
Q We are trying to save the taxpayers some dollars by --
A You could fax it to me. If it says SG -- what's the date on it?
Q 10/11/85.
A It is probably -- if it is SG, it is probably Steve Gramling, G-r-a-m-l-i-n-g.
Q If it is JG, do you know who that would be?
A JG?
Q Yes.
A JG. I am thinking. Just a second. JG, no, I don't know who it would be if it is JG. If it is SG, I am virtually certain it is Steve Gramling.
MR. BARTOLOMUCCI: We are going to pause for one second while the court reporter changes tape here.
(Discussion off the record.)

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MR. BARTOLOMUCCI: Back on the record.
Q As of October of 1985, Steve Gramling would have been someone with authority to approve an extension agreement?
A I think so. I think that's about the time he went into lending.
Q Do you know where Mr. Gramling is now?
A He is president of that same bank, that is now Union Planters Bank of Northeast Arkansas.
Q So, the Security Bank of Paragould is now the Union Planters Bank of Northeast Arkansas?
A That's correct. It was acquired almost two years ago.
Q I am just trying t see if there is anything else I want to ask you from these later forms. We have a later personal financial statement from the Clintons dated March 24, 1987, which, in the asset section, it lists $50,000 in real estate equities, and then the form says, "see schedule C," and I take it your supposed to spell that out in schedule C. Schedule C, however, on the next page is blank, is not filled in.

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I take it there is nothing overly remarkable about that?
A Well, now, where it says "see schedule C," is that in their handwriting or is that printed?
Q No, it is printed. It is part of the form. That's part of the form.
A No, that's not necessarily that unusual, particularly when you've got that small amount in there.
If you look over there, at -- if I can recall those financial statement forms right, if you look over on the back where it says "schedule C," you will see that it is a multiline deal.
Q Yes.
A And if there was more one piece of property then that's when schedule C would be filled out with you. If it is only one piece of property, it is not uncommon that it would not be filled out, although my preference would be that it be filled out.
Q Although schedule C calls for a number of pieces of information?
A Exactly. That's what I said, what I just

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said. My preference as a banker would be that that be filled out in detail. I would want to know what that real estate was.

MR. BARTOLOMUCCI: I think that may be all I have for you, Mr. Oldham. Let me just check my notes quickly.

THE WITNESS: Okay. May I ask a question off the record?

MR. BARTOLOMUCCI: Sure, off the record.

(Discussion off the record.)

MR. BARTOLOMUCCI: Back on the record here.

BY MR. BARTOLOMUCCI:

Q Last question, sort of a catch-all, Mr. Oldham, is there anything else you want to add or tell us that's occurred to you that might be of interest to our investigation?

A No. I would just reemphasize that had I been the loan officer, and had I received the application that apparently the loan officer received, that I would have made the loan, because from all presentments, it was a good loan. As it

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turned out, it was a good loan; it was repaid in full and it was repaid within a reasonable period of time.

It got apparently past due a couple or three times, because of the various past due notices that went out and the dates we've talked about in this deposition. But I -- you know, when I look at the file, I couldn't find anything wrong with the loan. I am talking about legally wrong with the loan, or for that matter, really technically wrong with the loan, based on what I saw in the file.

Q I just thought of a question I would like to ask you.

Have you thought of any communications about this loan with Mr. Campbell, Mr. Fisher or Mr. Jackson?

A I have talked with Mr. Fisher, not specifically about any details of the loan, and I have talked with Mr. Campbell, but not any details, any specific details about the loan. He doesn't have any loan documents. I don't have any loan documents.

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When we all three got telephone calls about we were going to be deposed, I think it surprised us, and I think they were surprised as well as I was surprised. But there was no detailed discussion. I mean, there is nothing for me and I don't believe there is anything for Charles Campbell or Bill Fisher to hide. Those guys are -- I have known them both for 20 or 25 years. They are honest. They have a lot -- they have total integrity as far as I'm concerned in all my dealings with them.

MR. BARTOLOMUCCI: Let me add we certainly didn't mean to imply at all if we did that you were hiding anything. I think you have been very helpful and forthcoming today.

THE WITNESS: If I was not supposed to have talked with them, or at least said did you get a call from the Senate Whitewater committee, I would not have, if you had advised me of that.

MR. IVEY: There is nothing wrong with you talking. The inquiry is simply aimed at finding out, if there have been any communications, what they are.

THE WITNESS: There were just general

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communications. My concern was, when this first came up, was my inability to recollect much about it. And my attitude is, I want to be helpful. And if you can't recollect much about something you can't be very helpful, and perhaps these guys can refresh memories. But they weren't very helpful either, quite frankly.

MR. BARTOLOMUCCI: We will find out soon enough. At this point I will turn the show over to Mr. Ivey. Do you need to take a break before we do that?

THE WITNESS: No, I am fine. I have been sitting here drinking a Styrofoam cup of coffee, so I may need to take a break soon.

MR. IVEY: Why don't we take it now.

(Recess.)

EXAMINATION

BY MR. IVEY:

Q Let me go back through a couple of things that were raised previously, Mr. Oldham. I don't think it will take much time --

A Take whatever time you like.

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Q Okay. I appreciate it.
A We work late in the day here and you are too. It is not a problem.
Q I wanted to ask you about the extension agreement that you signed.
A Yes, sir.
Q I know you can't see it, but I take it you took a look at it not too long ago?
A Well, it's been -- I was just trying to remember when I did go over there. I would say it's been a year ago would be a rough guess.
Q Let me read some part to you and ask you some questions about it. The document I have here for the record has a Bates stamp on it, SBP 0075. Now, this is an agreement that is from September 30, 1984 to September 30, 1985. Is that consistent with your recollection?
A Yes, that's correct. Actually, my recollection, I couldn't remember exactly what the period of time was. I just -- that was originally in the file that I looked at, but I didn't make any notes. I just flipped through there and saw it.

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Q Okay. Now, would a one-year extension be typical of banking practice at your bank there?
A Not only at my bank, but I think of all well-run banks in Arkansas at that time because of the usury law that I referred to before. There is nothing unusual about a one-year extension. There is nothing unusual about a 20- or $25,000 loan that might have four or five extensions on it before it is paid off.
Q That was my next question. The amount extended in that box is $18,800. Nothing startling about that to you, either?
A No, sir.
Q Okay, and then, as we move across this document, it's got "annual percentage rate, previous" it has written down "13-1/2," and "current," looks like "11.0," although there is some scratch-outs, but would either of those interest rates strike you as unusual in any respect for that time period?
A No.
Those both were probably -- and I say "probably" because I haven't looked back to see what

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the Fed discount rate was during that period of time -- but both of those were probably the maximum the law allowed.

Q All right.

MR. BARTOLOMUCCI: Just to help out my copy looks like the second figure is 11-1/2.

THE WITNESS: Okay, so probably what -- and I say probably because I don't have any documentation in front of me, but probably the Fed discount rate when the loan was made was probably 8-1/2, and when it was extended it was probably 6-1/2 so, see, five over it would be the maximum.

BY MR. IVEY:

Q All right, and you mentioned also that this is not the only extension agreement you signed but you signed others when perhaps a loan officer was not available or on vacation or something of that sort?

A Right.

Q So the fact that you signed this was not connected to the fact that this was a loan to Bill Clinton?

A No.

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Q All right.

A No. It is obvious the loan officer was not there or he would have signed it. But, the fact that it was a loan to the governor might be the reason it made it to my office. You follow what I am saying?

Q Yes, sir.

A Because there is a note clerk down there looking at that and it says Governor Bill Clinton, he might be disposed to bring that to the president of bank rather than taking it to another loan officer, I don't know. But it was not unusual in the absence of the loan officer for me to initial or sign an extension agreement.

Q Well, to the best of your knowledge, did this loan receive any type of special treatment either in terms or amount or in the way that it was handled, due to the fact that it was a loan to the Clintons?

A To my knowledge, no. In fact, I think there would have been some extra scrutiny or special care taken to not only do the appropriate thing but to eliminate any appearance of impropriety because it

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was a loan to the Clintons.
Q I see. I see.
A I suspect you can line up under oath all 65 employees over there and I think they would all tell you at that time that we did our best to live by the letter of the law, and when in doubt, err in favor of the law. That's the only way to run a bank.
Q Yes, sir.
Let me ask you quickly about the financial statements. I think you were asked about a financial statement that was submitted to your bank, and at the top of that statement is Bank of Cherry Valley and I think you testified that it was not unusual to receive a financial statement from another institution if the financial statement was less than a year old.
A It is not unusual for the same financial statement to be used at more than one financial institution. And an individual borrower might use as their financial statement a financial statement form that they had actually been given by another financial institution.

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Now, I will tell you that in, I will call it modern day practices, we do ask everybody to fill out their financial statement on our forms, even though they may sit there and copy it off another form from another financial institution. It is just a personal preference. We would rather have our forms in the file because our forms might differ a little bit in structure or the questions they ask than some other financial institutions's forms. They are not standardized, I guess is what I am trying to say.
Q Yes, sir. But during this period, 1983, there was nothing unacceptable about --
A No, sir. There was nothing unacceptable about that at all.
Q And for the record, the forms I have are Bates stamped SBP 0065, and SBP 0069. I believe those are the same forms that Mr. Bartolomucci was referring to earlier.
Okay. Let me ask you about the letter that was sent from the Arkansas -- well, it is on letterhead for the Arkansas State Bank Department

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with a signature from Marlon D. Jackson to Charles D. Campbell. Do you recall questions about that a few moments ago?

A I remember the discussion about whether the extension agreement had been approved prior to the letter being written or whether the letter was a request or a directive to approve the extension agreement.

Q Yes, sir.

And for the record, the document I have is Bates stamped DKRT 100405. And I believe it is the same document that was discussed earlier.

Now, you noticed when it was read earlier that the line at the beginning, "I am including the extension agreement which Governor Bill Clinton signed yesterday," and I think your testimony was that that might lead you to conclude that this letter was not pressing for an extension but that the extension had already been approved?

A That's what that sentence would make me think if I -- you know, if I was sitting there reading the letter and I read that sentence, I would

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say, yes, the answer to your question, yes.

Q Yes, sir. Now I think you also mentioned, too, that you and Mr. Jackson are good friends?

A Yes, we are.

Q Do you think if he wanted to -- well, he didn't contact you about Mr. Clinton's loan at all?

A Not that I can recall.

Let me tell you, Mr. Jackson and I have an agreement when he left to be bank commissioner, and we were both stockholders of that bank, and our agreement -- I can sum it up as follows: He was going to go be bank commissioner and I was going to run the bank and he was not going to attempt to interfere in my running the bank.

If it had been otherwise, I would not have agreed to be the chairman, president and CEO of that bank, quite frankly, and I must tell you that, that the entire time he was bank commissioner he never tried to influence me.

In fact, in fact we didn't talk very frequently at all. We would go two, three months at a time and never see each other or talk to each

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other, and when we would see each other it would be in a social setting somewhere. As far as his relationship with me was concerned, while he was bank commissioner, I never saw anything of a -- of an out-of-the-ordinary or incorrect nature, as far as I was concerned, out of him. I saw no impropriety whatsoever.

Q Did you know Charles D. Campbell?

A Yes, he worked for me for 10 years.

Q Did you speak with Mr. Campbell on a frequent basis back in November of 1985?

A Well, I would see him every day I was at work and every day he was at work. I probably see him at least once, maybe two, three times a day.

Q Did he ever come to you and tell you he thought Mr. Jackson was trying to in some way improperly influence him or pressure him with respect to the performance of his duties as vice president of Security Bank?

A No, none whatsoever.

Q Do you think that's something he would have come to you about, if that had in fact been the case?

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A Yes, I do. I think if he had been concerned about that, he would have come to me.

Q I wanted to -- I know that you have a bank to run and you were probably working today, but this same issue came up today at the hearing and I wanted to read a piece to you from Mr. Jackson's testimony because it was read earlier today.

I guess the construction of it is that he said that he had not intended to have this letter put on letterhead from the state bank department, that it was some sort of a mix up with his secretary. He dictated the letter, and she was authorized to sign it on his behalf. And she did. And he didn't send it himself.

Would that be sort of consistent with your reluctance to --

MR. BARTOLOMUCCI: How is he supposed to know that?

THE WITNESS: How am I supposed to know what?

MR. BARTOLOMUCCI: Whether that's what happened? Are you asking him whether that's actually

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what happened? In terms of the circumstances of Mr. Jackson writing the letter?

MR. IVEY: No, I don't think that was going to be my question.

MR. BARTOLOMUCCI: I'm sorry, then. Go ahead.

MR. IVEY: Could you read back where I was.

(The reporter read the record as requested.)

BY MR. IVEY:

Q Let me phrase it this way. Am I correct in my understanding of your testimony, that to the best of your knowledge, Mr. Jackson didn't do anything improper with respect to trying to influence Mr. Campbell or anyone else, to your knowledge, at the bank with respect to this loan to the Clintons?

A To my knowledge, Mr. Jackson kept total hands off during the entire time he was bank commissioner. If it had been otherwise and I had learned of it, I would have been livid. It was my understanding with him and the condition under which I took the job that he be bank commissioner and I be

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CEO of that bank.

We have that kind of relationship. We have been friends and -- for a long time, but we have also been very candid friends with each other, and I think that's probably the secret to the longevity of our relationship.

MR. IVEY: If I could have just a moment. I want to -- I think I may be done but I want to review my notes to be sure.

THE WITNESS: I might add a comment, listening to the excerpt, in the sense of trying to be helpful, the excerpt of the testimony you read today.

MR. IVEY: Yes, that I referred to earlier.

THE WITNESS: Yes, it is about Mr. Jackson. He tends to live with a Dictaphone in his hand. You have actually received letters from him, that would say up at the top "dictated, certain date," but the letter would be dated 10 days later or something, which would indicate to me that that secretary had a week's backlog of dictation. I mean this guy, a dictation machine is a dangerous weapon

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in his hands.
MR. IVEY: I think he did mention she was overworked from the typing in his deposition.
THE WITNESS: He also has a tendency, if you ask him what time it is, he will tell you how the watch was made, which sometimes wears a little thin on me, but he is aware of that, and I am not saying anything to you that I haven't said to him.
MR. IVEY: Yes, sir.
BY MR. IVEY:
Q With respect to this notation on the extension agreement, "loaded 12/27/84"?
A Yes, sir.
Q Is it fair to say with respect to that date, 12/27/84, it is not clear to you that that -- the date indicates when this document was entered into your computer system?
A I think that's what that date indicates. That's the only think that makes any sense to me.
Q All right, but you are not exactly sure when the extension agreement would have been received?

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A Well, I would say generally they are loaded at least within a day or two after they are received, and my -- my hope would be they are loaded the day they are received but the practicality of the matter is, that sometimes there might be a backlog a little bit and since those -- since you don't lose interest anyway, in other words, since you go back to the original date of the extension agreement, it doesn't really make any difference in terms of collecting the interest.
MR. IVEY: All right.
I have nothing further at this time.
MR. BARTOLOMUCCI: Mr. Oldham, I don't think I have any follow-up questions, so we will thank you for your time and cooperation.
THE WITNESS: Absolutely. I am glad to do it, and sincerely -- I know you will -- but I want to emphasize, that if you have any further questions, feel free to call me. I will did whatever I can to help clarify anything that I have knowledge.
MR. IVEY: We appreciate that.
MR. BARTOLOMUCCI: Thank you very much.

MR. IVEY: Have a good day.

(Whereupon, at 5:35 p.m., the deposition was concluded.)

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FRANK W. OLDHAM, JR.

CERTIFICATE OF NOTARY PUBLIC & REPORTER 90

I, JOANNE LIVERANI , the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Joanne Liverani

Notary Public in and for the
District of Columbia

My Commission Expires JULY 31, 2000

# DEPOSITION OF GEORGE EMERSON CAMPBELL IN RE: S. RES. 120

FRIDAY, APRIL 26, 1996

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER
DEVELOPMENT CORPORATION AND RELATED MATTERS,
*Washington, DC.*

Telephone deposition of GEORGE EMERSON CAMPBELL, called for examination pursuant to notice of deposition, at 2:15 p.m. in Room 640–A of the Hart Senate Office Building, before JOANNE LIVERANI, a Notary Public within and for the District of Columbia, when were present:

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Majority Associate Special Counsel
MITCHELL FEUER, ESQ.
Minority Counsel
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
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On behalf of the Committee.

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On behalf of the Deponent.

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PROCEEDINGS

MR. O'CALLAGHAN: Let's go on the record.

Good afternoon, Mr. Campbell. My name is Michael O'Callaghan. I am associate special counsel for the Special Committee. I represent the Majority. And with me today is Mitchell Feuer who is counsel for the Banking Committee. He will be representing the Minority today.

This telephone deposition is being conducted pursuant to Senate Resolution 120. The Resolution establishes a Special Committee administered by the Banking Committee to conduct an investigation involving Whitewater Development Corporation, Madison Guaranty Savings & Loan Association, Capital Management Services, Inc., the Arkansas Development Finance Authority, and other related matters.

This deposition is in advance of public hearings, which will take place next week. And there is a possibility that you may be asked to testify. If that happens, we will notify your counsel after the deposition.

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We are going to ask you a series of questions today. Do you consent to being sworn via the telephone, Mr. Campbell?

THE WITNESS: Yes, I do.

MR. O'CALLAGHAN: At any time during the deposition, if you don't understand a question, please let me or Mr. Feuer know and we will be happy to rephrase them. Also, if you need a break at any time, let us know and we will be happy to accommodate you.

The stenographer is preparing a record of questions and answers. The deposition will be treated as Committee Confidential until commencement of the hearings. Prior to the hearings, you will be given an opportunity to review your transcript, if you are called to testify. And also, after the deposition, if you would like to get a copy of your transcript, to make note of any corrections for transcription on an errata sheet, you may do that as well.

You may be represented by counsel today. Are you represented by counsel?

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THE WITNESS: Yes, I am.
MR. O'CALLAGHAN: Could counsel please identify themselves; state your name and the name of your law firm, please.
MR. CLARK: This is Ron Clark with the Rose Law Firm.
MR. ATKINS: Alden Atkins with Vinson & Elkins.
MR. O'CALLAGHAN: Objections to the form of questions will be noted for the record. Counsel may object on the grounds of privilege or relevance. And the Committee Chairman may rule where the witness refuses to answer the question.
Whereupon,
GEORGE EMERSON CAMPBELL
was called as a witness and, having first been duly sworn, was examined and testified as follows:
EXAMINATION
BY MR. O'CALLAGHAN:
Q Could you please state and spell your full name for the record, please.
A My first name is George, G-e-o-r-g-e; my

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middle name is Emerson, E-m-e-r-s-o-n; my last name is Campbell, C-a-m-p-b-e-l-l.
Q Mr. Campbell, are you aware of the Committee's document request to the Rose Law Firm with respect to documents relating to the Arkansas Housing Development Authority and Arkansas Development Finance Authority?
A Yes.
Q Did you participate in the search for those documents?
A Its still going on, but, yes, I have participated in it, to the extent of reviewing lists and other things which I maintain.
Q Are you aware of any documents that were previously under the possession or custody or control of the Rose Law Firm or yourself that were responsive to the request that have since been destroyed, lost, or otherwise disposed of?
A I don't understand the question.
Q The question is, were there any documents that at one time were in existence that were responsive to the subpoena that have since been lost

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or destroyed or no longer exist?
A I did not hear the word "since." When we complete a transaction, we regularly dispose of things that are no longer useful or useful for reference. But, no, I am not aware of any document which has been destroyed since receiving any kind of request for it.
Q But in the normal course, documents are thrown out after a certain period of time; is that right?
A It varies. In bond transactions, we often do not throw things out on a shorter cycle because we get into refundings or questions come up, so the principal controlling documents we retain for many years.
The transactional documents, correspondence, drafts, that sort of thing, frequently will be destroyed after some period of time when we run out of space.
Q Have you spoken with anyone, other than your counsel, prior to this deposition about the anticipated substance of the deposition?

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A Yes, I spoke to Wooten Epes, who was the president of the Arkansas Development Authority, recently to refresh my recollection on a couple of things having to do with time sequences.
Q What specifically did you speak to him about?
A The drafting of the ADFA legislation.
Q Anything else?
A I think I asked him about what kind of questions you asked him.
Q And did he tell you?
A Briefly. It was a short conversation.
Q How long was the conversation?
A 10 minutes, perhaps.
Q Other than conversations about the drafting of the ADFA legislation, the type of questions he was asked in his deposition before the Committee, did you discuss anything else?
A Well, we are engaged in an ongoing transaction right now. We talk to each other on a daily basis with respect to a bond issue that ADFA is going to close next Monday and Tuesday. If you mean

did I ask or did I talk to him or something about your inquiry or your Committee's inquiry, no.

Q And were you able to review any documents in preparation for the deposition, prior to the deposition?

A I didn't understand the first part of your question.

Q I'm sorry. Did you review any documents to prepare for the deposition?

A I pulled out of our file -- out of our library stack the transactional volumes, the transcripts on those bond issues of the Housing Development Agency, and the Development Finance Authority, which were on a list which Mr. Atkins faxed to me, sometime within the last week, which appears to come from some document, that I've never seen.

MR. ATKINS: For the record, that's a document faxed to me by your colleagues, Mr. O'Callaghan, faxed to me by Mr. Giuffra.

MR. O'CALLAGHAN: And that was a list to help you help identify issues that Rose worked on; is



that right?

MR. ATKINS: It was a list sent to me to aid in reviewing documents that would be responsive to your subpoena.

THE WITNESS: And I think, Mr. O'Callaghan, when you and I first talked a week or 10 days ago, whenever it was, about this deposition, you told me that you were going to send me a list. And when I got this from Alden, I assumed that was the list you were going to send me.

BY MR. O'CALLAGHAN:

Q What is your present employment?

A I am member of the Rose Law Firm, a professional association, 120 East Fourth Street, Little Rock, Arkansas.

Q What's your present position there?

A Well, I'm a stockholder. We use the title member; I am a senior member.

Q How long have you been at the Rose Law Firm?

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A I commenced my employment here January 5, 1960 -- excuse me, July 5, 1960.
Q During the period January 1982 through October 1986, what was your position at the firm?
A The same as I have just described it.
Q You were a senior member?
A Yes. Well, let me qualify that by saying I have been a senior member ever since the category existed. I can't remember when we created the distinction between member and senior member, but I think it was perhaps before 1982. I honestly can't remember.
Q Okay. How is the structure of the law firm set up with regard to members and senior members, and what other classifications are there?
A Well, briefly, there are two classifications, one requires a larger majority to expel a member.
Q Is being a senior member akin to being a partner at another firm? Is that --
A Roughly translates to that, yes.
Q Are you familiar with the Arkansas

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Development Finance Authority and its predecessor, the Arkansas Housing Development Agency?
A Yes.
Q How are you familiar with it?
A I was their first bond counsel, that is the Arkansas Housing Finance Agency, or AHDA, Arkansas Housing Development Agency. I did their first bond issue in May of 1978, and have worked with them and the Finance Authority since its creation in 1985, as bond counsel or underwriter's counsel on some transactions. And in a few cases, as what we label as issuer's counsel, that is counsel directly to the authority, but without the responsibility of delivering an approving opinion with respect to bonds.
Q Have you ever served as tax counsel?
A Special tax counsel?
Q Yes, sir.
A Not that I recall.
Q Has the firm ever acted as special tax counsel?
A To anyone or to --

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Q To AHDA or ADFA.
A Not to my knowledge.
Q To the best of your knowledge -- of course, all these questions are based on the best of your knowledge -- but what criteria were used by AHDA and ADFA to select financial firms to provide underwriting services for their bond issuances? And this is, once again, the period '82 through '86.
A My observation was that they submitted requests for proposals, for underwriters. I can't tell you that I ever read one because I was never an underwriter, nor was I ever asked to advise with regard to the form of the proposals.
Q Okay. Were these requests for proposals sent out to both firms anticipated to be lead and co-managing underwriters?
A I would have no idea.
Q Was there ever any discussion of the criteria that AHDA or ADFA used during any of the board meetings that you attended?
A I do not recall any discussion in terms of questioning the written provisions of the -- of the

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thing, that is of the request for proposals. In the last six months, there was a committee -- I say in the last six months, sometime surely in the last year, there was a committee appointed to look at their proposal procedures again, but you will have to be more specific. I don't really understand the question.
Q Okay, I think you've answered it, actually.
In the beginning of 1983, was there ever an announcement made that AHDA was embarking on a new policy to include more local underwriting firms in its bond offerings?
A I believe I recall some newspaper articles about it, but if you mean they sent out an official statement or wrote letters or something, I am not aware of having seen those.
Q Did you attend any board meetings where that was done?
A I attended many board meetings over the last 15, 16, 18 years, whatever we are talking about here.

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It is hard to be responsive to that question directly, because I have no way of knowing what kind of mail they sent out and to whom they sent it.

Q Right now I am just asking about open discussions during board meetings or special board meetings.

A I don't recall any.

Q Okay. Are you aware of whether the governor's office ever issued an official policy on including more local underwriting firms in the AHDA bond offerings?

A No. I am not aware of that. And there is no reason I would be.

Q Was the Rose Law Firm ever hired to perform due diligence reviews of the underwriting firms that were chosen to do AHDA or ADFA bond offerings?

A Employed by whom?

Q By the Authority.

A Not specifically for that purpose. Now I don't quite understand that. The normal position of underwriter's counsels requires pursuit of due

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diligence, but normally it relates to the entity issuing the bonds, not the underwriter.

Q So you are not aware of an instance where the Rose Law Firm was engaged to do a review of the underwriters, and the status of the underwriters, and their position in the market?

A No. Certainly I was not personally asked to do that. I don't know what someone else might have done, but I am not aware of it.

Q Okay. Do you recall when the firm of Collins, Locke & Lasater first began participating in AHDA bond offerings?

A I have had occasion to look at our retained transcripts, and it was sometime in 1983, as I was able to determine, the first issue in which I saw their name as a cover page, official statement, was in 1983. I am not sure when they were formed.

Q Okay. And did the Rose Law Firm do any work with Collins, Locke & Lasater in connection with bond underwritings for AHDA?

A We were underwriter's counsel on a number of issues in which they were a member of the group.

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Q Did you have any contact with anyone at the firm?
A Not except seeing them at closing dinners.
Q How about during board meetings?
A Well, yes, typically all the underwriters would have somebody at a board meeting just to show the flag.
Q Was there one particular member of Collins, Locke & Lasater that you recall attending board meetings?
A Well, the only one who comes to mind is Michael Drake. And I am not sure when he was employed by them or what period of time. I know I associate him with that firm.
Q Did you engage him in conversations during board meetings?
A That's pretty impolite. I am sure I said hello, but you mean -- I don't understand the question. Did we speak to one another? Yes, we spoke to one another.
Q With regard to any AHDA or ADFA bond offerings where you acted as underwriter's counsel,

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you said you would see people from Lasater & Company, at deal closings.
Did you have any contact with them on a professional basis during the course of an underwriting, or the process to get ready for the underwriting?
A None that I recall. They were never lead, and typically, the lead underwriter manages the operation, and you deal exclusively with the lead's personnel.
Q What was the basic role of the co-managing underwriters on these deals if you could give me a brief description?
A As I observed it, they were participating in the selling group, and tried to market the bonds.
Q During the period '83 through '86, did you have any knowledge of what the structure was of the Collins, Locke & Lasater or Lasater & Company underwriting departments?
A No.
Q During the course of the different board meetings that you attended, AHDA and ADFA board

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meetings you attended over the course of the time since you have been doing work with the agency, with regard to the different issues that you have had exposure to, you said there was a process to send out requests for proposals?

A I'm afraid you are going to have to ask that question again. I didn't understand what it was I was being asked.

Q The question probably wasn't phrased very well. It was a little long.

What I am trying to find out is, with regard to the selection of underwriting teams to participate in the offerings, after requests for proposals were sent out, what was the next step that the Authority took?

A I was never part of it, and I didn't see any of it happen. My understanding is that, internally, a staff committee was appointed. They looked at the proposals, made an evaluation and recommendation to the board, and the board acted on it.

Q Were those proposals usually presented or

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noted during the course of board meetings?

A Again, observing from the gallery and not seeing what was before the members of the board, I understand that a sheet was provided which summarized the staff recommendation, showed how they weighted the various aspects, showed how they scored it, but they did not announce the losers. They would announce only their recommendations.

So I observed it more closely from the question of proposals I had submitted, but I think the underwriters were handled the same way. I never asked to see my scoring. I suppose it is available under the Freedom of Information Act. But they just announced who was selected, not who was not selected.

Q During the time that -- with regard to your experience in AHDA and ADFA offerings, did you ever hear of a time when an underwriter was chosen without submitting a proposal to be a member of the underwriting group?

A Well, it is very hard for me to answer that, because I never knew -- you know, I didn't attend ever meeting they ever had. I would

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frequently get phone calls from someone saying, we have been selected to do this, we would like you to be underwriter's counsel, can you do it. And we would say, sure, and I wouldn't even know who was in the group for days or weeks. So it is hard for me to respond to that truthfully, other than to say that occasionally I would be given a name to be added to a group, or be told that somebody wasn't in the group. And I never asked why and was never told why.

Q But weren't the groups that were going to be chosen as underwriters announced at board meetings?

A Well, in recent years, yes. I can't honestly remember 14 years ago.

Q Okay. And this is asking you to go back a couple of years, but do you have any recollection of whether in the spring of 1983 that the Collins, Locke and Lasater firm was added to an agency bond issuance as a part of the underwriting team without having prepared a proposal or made a presentation to the AHDA board?

A I wouldn't have the slightest idea. I just

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can't remember anything like that.

Q Was there also a member of your firm by the name of James Fowler who also attended meetings?

A Yes, he was a partner or member here for -- well, he left very shortly after he was elected to membership to become an underwriter, so I guess he was here a period of about four years. And I can't remember what those years were.

Q Do you recall whether you had any conversations with him with regard to inclusion of an underwriter that hadn't submitted a proposal to be part of a bond issuance offered by AHDA?

A Not that I can remember.

MR. O'CALLAGHAN: I have to go off the record for a quick minute. I will be right back. Excuse me.

(Discussion off the record.)

BY MR. O'CALLAGHAN:

Q I have a document which I will identify for you. It is a two-page document, on Stephens, Inc. letterhead, dated April 28, 1983. And it is a letter addressed to Charles Stout and signed by Gene

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Wilbourn.
Mr. Campbell, are you familiar with anybody by the name of Charles Stout?
A Yes, I remember at one time he was, I think, a board member. I don't remember of which entity.
Q And how about Gene Wilbourn?
A Yes, I know him.
Q This letter is addressed to -- the salutation reads "Dear Chairman Stout." It begins with "It is with regret that I must inform that you Stephens, Inc. is withdrawing from the multifamily housing issue to which we were recently selected as co-manager along with Merrill Lynch Pierce, Fenner & Smith, and T.J. Raney & Sons."
Do you recall Stephens, Inc. ever pulling out of an underwriting syndicate in or around April of 1983?
A I am not sure about the date. Did you say multifamily?
Q Yes, sir. Yes, sir.
A Well, I don't know that I was involved in

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any multifamily issues before 1985. What's the reference to that issue?
Q There is a reference to the issue, actually, in a copy of the board minutes which we also have. And it just refers to a 1983 multifamily issue and the April 19 board meeting. I will see if I can get another reference for you. That's the most specific reference I think I have to it.
It was a -- appears to be a multifamily issue that was at least contemplated in 1983.
A The reason I raised that is that, to the best of my knowledge, the only bond counsel ADFA has ever had for multifamilies issues and the first one we did was in 1985, did a series of FHA insured deals. And I am not saying that something didn't happen in 1983, but that seems like a strange date from anything I know about.
Q Actually, we have a list of bond issues that was prepared by the Arkansas Development Finance Authority, produced to the Committee by Clinton's attorney, Mr. Kendall, which identifies one multifamily in 1981, and then additional one in '83.

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I don't know if that helps you recall that or not.
A Well, I know we didn't do anything in 1981. And the first one that I recall is 1985. I can't remember everything I ever did, but that's all that I can remember.
Q Okay. Well, the question is with regard to whether you have any recollection about Stephens, Inc. pulling out of a proposed bond issue in and around April of 1983, proposed multifamily issue is what it was?
A The most accurate I can be is to say that I heard some street talk about it. I don't know anything about it personally.
Q Okay. I am going to read you another excerpt from the April 28, 1983 letter from Mr. Wilbourn to Mr. Stout. It is the fourth paragraph, which reads, "A guiding principle of the agency from its inception has been the requirement that professional firms, including bond counsel and underwriters, be selected on the basis of merit through written and oral presentations. With the exception of the most recent single family issue, the

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agency has seen fit to select only those underwriters who had the most superior combination of credentials which would benefit the agency, namely sufficient capital to underwrite, strong sales capability, in-house technical expertise, and the ability to make a market in the agency's securities in the secondary market.
"With this knowledge, Stephens, Inc. responded to your invitation to propose as managing underwriter of the multifamily issue. We were very pleased to be selected as a co-manager and were looking forward beginning work immediately. In the meantime, subsequent to our selection, the board decided, without discussion, to add to the underwriting group a firm which did not submit a proposal under the agency proposal procedures, which invited individual firm proposals. Although it is certainly the agency's privilege to appoint any firm, we would invite you to investigate more carefully whether the added company meets the standard of capital, experience, sales capability, staff service, and market support which have been the preference of

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the board in all issues."

Then it goes on. "We are concerned that such actions may be an indication of an erosion of the independence of the board of directors which, if publicly perceived, could only be received adversely in the market. It is therefore with reluctance that we withdraw from this issue. We are hopeful that this action will not preclude us from participation in future offerings of the Arkansas Housing Development Agency assuming the selection is made on merit and experience. It has been a pleasure to work with you, the board of directors, and your excellent staff. If we may ever be of service to you, we are just down the street."

Does that help refresh your recollection as to an instance where an underwriter was chosen outside of the course of the normal agency procedures?

A I am afraid you didn't understand my response earlier.

Q Okay.

A I simply don't know anything about that.

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All I know is that I heard it being talked about. I have no knowledge of it before, during, or after.

Q Do you recall what you heard being talked about it?

A That they got mad because Lasater was let in on the deal.

Q Did you hear that Lasater was chosen outside the course of the normal procedures of the agency?

A I don't remember that was part of the transaction. If my records are accurate, Stephens was in three other deals with them in 1983 that I worked on, so I just don't know what you are asking about.

Q Did there ever come a time when Lasater & Company ceased doing business with ADFA?

A I guess there must have. They are not there anymore.

Q Did --

A I don't know when.

Q Was there a firm that succeeded Lasater & Company?

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A I don't know.
Q Are you familiar with a firm called United Capital Corp.
A No.
Q Are you aware of whether there came a time when ADFA determined that Lasater & Company or any of its successors would not be allowed to bid on bond offering underwriting contracts?
A No.
Q Do you have knowledge of what the fee structures were for the underwriters on the deals done by AHDA and ADFA?
A None that I recall. I may have in my file in some isolated instances so-called price books that were distributed after a transaction was concluded, which gave general information on fees, a breakdown between manager, sales allowances, rough idea of the distribution of the bonds geographically, that typical sort of information -- or that information is typically provided to the issuer.
Generally speaking, it is not given to the lawyers. The underwriters consider it kind of

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proprietary. And it is -- in any event, if I got it, I didn't pay any attention to it. But I know I have seen some books.
Q Okay. Between -- rather, have you ever had any interaction with anyone in the governor's office with regard to ADHA or ADFA bond underwritings?
A No.
Q Are you aware of whether anyone in the governor's office ever expressed to anyone on the AHDA or ADFA board a preference for a particular underwriter?
A No.
Q Are you aware of whether the governor ever expressed a preference for any underwriters to any members of the ADFA or AHDA boards?
A No.
Q What were the criteria used in choosing legal counsel to represent the agency?
A I did not hear the first part of your statement.
Q What were the criteria used in choosing legal counsel to represent the agency?

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A Well, I can't recite them to you verbatim. They are modified from time to time, but typically they send out their request for proposal, which requests information, concerning your experience, would you expect to work on a team, are you available, do you have any conflicts, do you have any problems with the legal concepts of the proposed issue.

And prior to some change in the state law, they used to ask you to quota fee and estimate your expenses, but that's no longer an appropriate question to ask.

Q At any time, did law firms submit proposals in conjunction with underwriters or groups of underwriters?

A The Authority has had -- at least in my experience, I don't know if they've changed it in recent years. But the last time I was involved in one, they have had a policy of accepting a team approach where an underwriter represents that it has what they loosely call a proprietary product.

In some cases, an investment firm will have

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spent a good deal of time developing the computer expertise or the legal concepts or sold the rating agencies on a particular structured financing. And they present it to an agency with the understanding that they can bring with them the other --

Q Hello?

A -- they have had experience in the transaction. So yes, there are instances in which people are employed without the submission of proposals, but in my experience, it's only been in the proprietary type transaction.

Q Did AHDA or ADFA engage in any of those proprietary transactions?

A Several.

Q Did the Rose Law Firm act as legal counsel to any of those transactions?

A One or two.

Q Do you recall which ones?

A I can't remember off the top of my head. I think maybe the so-called HECAP Program, the Higher Education Capital Asset Program, was one of those. Let me look on my list and see how that's

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identified.
Q Okay.
A Yes, it is a 1985 issue, December 30, 1985, looks like 72,500,000 variable rate revenue bonds, capital assets program. We were issuer's counsel in that transaction. PaineWebber was the lead.
Q How were you chosen as issuer's counsel?
A My recollection is that I got a telephone call from Bob Nash -- no, in '85, I guess that would have been Wooten Epes.
Q Was it from someone at the agency, the director, the president?
A Someone at the agency called me -- and it might not even have been president, it might have been Bill Wilson -- saying we are going to do this financing that involves letters of credit and conversion, and some other things like that.
We would like to have somebody looking at it from solely our perspective. Would you be issuer's counsel, something to that effect. I said yes.
Q He called you directly?

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A As compared with what?
Q Did he speak to anyone else at the firm first, or just called you first?
A Well, not that I am aware of.
Q And how were -- did Lasater & Company also participate in that issue?
A There were one, two, three, four, five -- there were five underwriters and Lasater & Company was one of them; Stephens, Inc., T.J. Raney, George K. Baum and PaineWebber.
Q I guess I am a little confused because you said these type of --
A Excuse me, I was reading from the wrong list. No, no, that's right, that's right, I had my finger in the right place. That's correct.
Q We were speaking, just before we started talking about this higher educational program bond issuance, about instances where underwriters and legal counsel teamed up to do a proprietary transaction; is that right?
A Yes.
Q And you said you were approached by the

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Authority to act as counsel to the issuer; is that right?
A That's correct.
Q And the Authority was the issuer?
A Yes.
Q Now, were you brought on as an issuer with the team of the underwriters, and underwriting counsel, or how did that work?
A Well, I don't know what happened before I got involved. I assume only that the proposer of the financing arrived with a firm to act as underwriter's counsel and a firm to act as bond counsel. I just simply assume that, I don't know.
Q And underwriter counsel was employed by the underwriter. How about the bond counsel, who paid the bond counsel?
A Bond counsel is normally paid out of the proceeds of the issue, which I suppose you could consider as being paid by the Authority.
Q Do you recall any other instances where you worked on a proprietary transaction or product?
A No, not within the scope of your inquiry.

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Q Did you ever work on another instance where you worked on a team with underwriters and other counsel that included Lasater & Company that included that type of transaction, was a package deal?
A Well, I'm reviewing this list right now. Give me a moment. I can't remember any. Can you help me?
Q No, I am actually just asking you if you know. You are far better equipped to do it than I am.
A One other thing. I don't want to be misinterpreted, and that is that when we did a refunding issue, and I assume it is still the policy of the Authority today, that the bond counsel firm which approved the original issue was asked to act as bond counsel on the refunding issue because of the familiarity with the financing to begin with. And I did that on a couple of occasions.
Q Were you aware, during the period 1983 through 1986, of any concerns that were expressed about the net capital position of Lasater & Company or Collins, Locke & Lasater?

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A No.
Q Who else at the firm worked with you on the work you did for the agency?
A Well, you are asking me to recall 18 years of experience.
Q Was there generally a group of people who did work in this area?
A Various times, and I can't recall, without going back into the file, any specific amount of work more or less. At various times, Les Baledge, Watt Gregory.
Q What was the last name?
A H. Watt, W-a-t-t, Gregory, G-r-e-g-o-r-y. He is no longer with the firm. Brantley Buck, Jane Dickey. Now that's up to -- what are you looking at here, '86 or so? '86, '88, that's -- that's about it.

We have some other associates, more recent than that, who worked on some deals recently. But not in the last -- that's only been the last five years or so.

Q What were you about to say, sir?

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A I said I can't remember if Mr. Fowler worked on any ADFA matters while he was an associate here. I know he worked with us in the municipal bond area. My recollection is that he worked on issues other than ADFA, but he would be someone else who might have, at one time or another, done something.
Q Okay. Are you aware of any other billing members that participated in the representation, either of the agency or any of the -- or as underwriter counsel or bond counsel?
A I can't categorically say no, but it would have been unusual. Occasionally, we would ask a tax lawyer, or if we had a real property question, we would ask someone else, or maybe language about bankruptcy provisions, particularly like the HECAP transaction where you have the question of complying with -- Bankruptcy Act compliance, we will get other people with expertise involved.

But typically I was the billing lawyer. I am not sure exactly what the focus of the question is, whether somebody else worked on it, or whether somebody else sent out a bill.

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Q It was actually twofold, sir. The first part was who else work on it, and the second question I asked was with regard to who put in the billing for it.

A I would be very much surprised if anyone other than myself billed ADFA, other than Mr. Gregory, or Mr. Dickey, when they were the -- Jane Dickey, Ms. Dickey, not Mr. Dickey, when they were the lead lawyer on a file.

I did not manage every one of these issues. But it's been in the last six years, I guess, that Jane Dickey has done the Whitewater revolving loan program that began in 1991. And as far back as the 1988 collateralized mortgage obligations, we were doing one for Little Rock and one for the state at the same time, and I can't remember which one was doing which, so that's a pretty good guess.

Q Okay. During the time -- again, we are looking at 1982 through 1986 -- were you aware of any relationship between the governor and Dan Lasater?

A No.

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Q Were you aware of a relationship that existed between Mr. Lasater and the governor's brother, Roger Clinton?

A No.

Q I would like to -- I am going to refer to a newspaper article that's been produced to the Committee. It bears the Bates stamp number DKSN 017642, and DKSN 017643. It is from -- it appears to be from the Hot Springs Sentinel Record, February 26, 1985. And the headline is "governor's brother testifies at SPA attorney's drug trial," SPA.

And the second paragraph reads, "Roger Clinton told his best friend Dan Lasater, Florida businessman and race horse owner, about his drug debts and Lasater loaned him $8000, Clinton testified in the trial of Sam Anderson, Jr., 28, of Hot Springs, a local attorney, charged with cocaine distribution."

Do you recall seeing -- reading an article about that, or hearing about that testimony?

A No, I don't recall it. Which is not to say it didn't happen, but I have never met Roger Clinton

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in my life. I have never met Dan Lasater in my life. And I don't read the Hot Springs newspaper.
Q Okay.
A Well, I can represent to you that there are similar accounts in Little Rock newspapers.
Q You don't have any recollection of that?
A Not with respect to a date, no.
Q But generally, do you recall hearing about that?
A Yes.
Q Without putting a specific date on it?
A Yes, I recall hearing about it.
Q Did you hear about it during the time that you were providing legal work to the ADFA, and during the time you were also doing legal work in deals connected with Mr. Lasater's firm?
A No, I just testified that I don't remember when I heard it.
Q I was just trying to place it closer in time for you, sir, that's all.
Did the issue of Mr. Lasater's drug use, did that ever come up in conversation with regard to

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their participation in AHDA or ADFA bond offerings?
A Not that I am aware of.
Q Was Mr. Lasater's drug use ever raised by anyone at Rose with regard to their representation of Lasater as underwriting counsel?
A I do not recall having any discussion of that with anybody, in terms of representation.
Q This is a slightly different question from the last question I asked you. Have you ever heard that the governor ever directed anyone at ADFA, AHDA, either a board member or staff member, to give business to Dan Lasater or Lasater & Company?
A No, I have never heard that.
Q Are you aware whether the governor ever directed anyone at AHDA or ADFA to direct legal work for ADFA or AHDA to the Rose Law Firm?
A No, I am not aware of that.
Q Did Mrs. Clinton do any legal work in connection with AHDA or ADFA work?
A Not that I am aware of.
Q With regards to fees that the firm received from AHDA or ADFA, were those included in the profits

shared with Mrs. Clinton in her standing as a member of the firm?

A The process that I recall, and I can't put a date on this, but the process that I recall was that, near the end of the year, I would be asked by our office manager to identify anything received and any work I had done for a state agency in connection with a state agency.

Q Okay.

A And I would identify those, that is both bond counsel fees and underwriter's counsel fees. I would identify those and provide them to him. And somewhere in the process, that was totaled up and a separate balance was calculated. I can't recall anything more specific than that. I am sure other people have that information.

Q Okay. And just so I am clear, you said that fees charged to be bond counsel and underwriting counsel were included in the category of business done in connection with a state agency?

A That's right.

Q Even though -- didn't you say the



underwriting counsel was paid by the underwriters?

A I didn't say that, but that's true.

Q That's true? And that was still included in that category?

A That's right.

Q Okay.

A We did not want to create any appearance of profiting from any business that we did involving the state.

Q Did that include fees as a special tax counsel?

A Well, since we never got any of those fees that I am aware of, I guess not.

Q How about as an issuer's counsel?

A Any fee involving the state agency, whatever the relationship.

Q I would like to refer you to again another newspaper article. This is from The Arkansas Gazette, dated October 10, 1986. It's a two-page document, which bears Bates stamps DKSN 026012. And DKSN 026013, and the title of the article reads "Clinton sees bid to buy off smokescreen White

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says." I don't know if that's particularly a well-put headline, but -- and then the second page of the article, in the middle column, in the third full paragraph down, it reads "Clinton told reporters he saw no conflict of interest for the Rose Law Firm to be bond counsel for the Arkansas Development Financial Authority or represent underwriters. He acknowledged that his wife benefited from the firm's involvement but said she received shares and fees from the bond proceeds, not tax money."

As far as you know, is that statement accurate?

A It doesn't even make sense. Would you read that again? I must not have understood you correctly.

Q I would be happy to. It begins "Clinton told reporters he saw no conflict of interest for the Rose Law Firm to be bond counsel, for the Arkansas Development Finance Authority, or represent underwriters. He acknowledged that his wife benefited from the firm's involvement, but said she received shares of fees from the bond proceeds not

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tax money."

A What was that date?

Q October 10, 1986.

A Well, at some time this became an issue in some campaign; this may be the one.

Q Yes.

A And Mrs. Clinton asked us to go back and calculate all the fees that had been paid since -- I am not sure when, 1980, 1981, whatever. Maybe it was when the President returned to office as governor, after the '82 election. I can't remember the dates.

Q Okay.

A And we computed that, and as I recall, she reimbursed the firm for whatever her distributions might have been that were represented by whatever those -- the percentage of those firms or to whatever fees had been distributed to her.

Q Okay.

A I thought it was overly generous of her, and wished she hadn't done it, but I guess that's when we started the process of -- on a prospective basis, recalculating or having two sets of

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calculations, one excluding state fees and that sort of thing.

Q So your recollection is that that process began after or during the 1986 gubernatorial campaign?

A No, I don't recall the exact year.

Q Okay.

A That probably was the -- probably the time.

Q With regard to the fees she reimbursed the firm with, did that include the AHDA and ADFA fees that the firm had received?

MR. FEUER: Michael, I will interject myself here. Mr. Campbell, you are represented by counsel in this deposition so I will not presume to give you any instructions, but I would point out this Committee operates under a Resolution and the sole source of our authority to conduct an investigation is that Resolution.

And the Resolution doesn't authorize us to investigate the Rose Law Firm's fees or the way Mrs. Clinton participated in the Rose Law Firm's profits -- although those certainly have been the

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subject of quite a bit of public scrutiny -- but rather, to investigate bond underwriting contracts, between ADFA and Lasater & Company. And it seems to me that we are getting particularly far afield from that inquiry.

MR. ATKINS: Do you have any response, Mr. O'Callaghan?

MR. O'CALLAGHAN: Certainly, of course.

This line of inquiry that I am engaging in I am happy to explain to you my thoughts on the relevance of asking questions about this particular issue. And that is, it relates to a pattern of conduct with regard influence used to or possible influence used to grant or give state business to people by the governor's office or by the governor himself, and with regard to the fact that we are looking at the bond underwriting contracts between Lasater & Company, and Arkansas Development Finance Authority and Arkansas Housing Development Agency.

It is also relevant to see if there was any influence brought to bear with regard to other people participating in that process. And that's why I have

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embarked on this line of questioning.
MR. FEUER: But, Michael, you have already asked the witness whether he heard that Governor Clinton directed anyone at ADFA to direct business to the Lasater firm or to the Rose Law Firm and he testified that, no, he was not aware of that.
So getting into excruciating detail as to how the Rose Law Firm calculated Mrs. Clinton's partnership draw, to me, has nothing to do with this Resolution.
MR. ATKINS: I think this is pretty far afield, too and, frankly, Mr. O'Callaghan, I think that you've finished covering this anyway.
MR. O'CALLAGHAN: I actually was about to wrap it up.
MR. ATKINS: I think you have wrapped it up.
MR. O'CALLAGHAN: Could you read the last question before Mr. Feuer made his point.
MR. FEUER: Interjection.
(The reporter read the record as requested.)
MR. O'CALLAGHAN: I would like that last

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outstanding question to be answered, and then I will be happy to move on to another area. Did you hear that, Mr. Campbell?
THE WITNESS: I could not hear the readback on that.
MR. O'CALLAGHAN: She'll do that again.
(The reporter read the record as requested.)
THE WITNESS: The grammar is not very good.
MR. O'CALLAGHAN: I apologize.
THE WITNESS: I will treat that as, in substance, did she reimburse the firm, other members of the firm, for moneys which represented fees received from AHDA or ADFA business, and I believe the answer is yes.
MR. O'CALLAGHAN: Thank you.
BY MR. O'CALLAGHAN:
Q Mr. Campbell, have you ever heard that AHDA or ADFA bond offerings were used as vehicles to launder money?
A Have I ever heard it?
Q Yes, sir.
A Yes, I have heard it, and it is an absolute

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lie and a falsehood.
Q So you don't have any actual knowledge of that happening?
A Of what happening?
Q Of the bond offerings being used as a vehicle to launder money?
A Of course not.
MR. O'CALLAGHAN: Why don't we go off the record for a second.
(Discussion off the record.)
MR. O'CALLAGHAN: Why don't we go back on the record.
BY MR. O'CALLAGHAN:
Q Mr. Campbell, are you aware of whether any government agencies relied on governor to give him advice on which financial firms to use to do financing for bonds?
A No, I am not sure I understand the question. But if you are asking if the governor's office gave the agency advice, I am not aware of it.
Q I have a document here, it is an one-page document from the office of the governor. And it

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bears a Bates stamp DKSN 027247. It is a memorandum to "gov.," with a handwritten check mark on it with the date 20 June 1985. It is from P.J., and the subject is Ballard's refinancing of bonds.
And the text reads "Vo-Tech and its board are going to look into refinancing their existing bond if it is, as they hope, financially advantageous. Ballard called today and said that George Campbell said, had suggested that he check with you before hiring a firm as a finance adviser. (Rose Law Firm does the do this kind of work, but they do serve as Vo-Tech's bond attorneys on this) The reason Campbell suggested Ballard get some input from you is because Ballard's inclination is to go with Mark -- I asked what the other alternatives were and he said the following T.J. Raney Dabbs Sullivan Lasater Powell & Satterfield."
And then it reads "The board is ready move on this. Please advise as soon as possible."
A Who are you quoting from?
Q It is a memo from an individual with the initials P.J.

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A And who are the other names in there besides the governor's and mine?
Q Well, it is addressed to the governor, and the other one, the other name, I believe it is a last name Ballard.
A Spell that please.
Q B-a-l-l-a-r-d. And the beginning of it says "Vo-Tech and its board are going to look into refinancing the existing bonds." Then after that, it reads "Ballard called today and said that George Campbell had suggested he check with you before hiring a firm as finance adviser." "Check with you," being the governor, it appears. Then it says "The reason Campbell suggested Ballard get some input from you, the governor, is because Ballard's inclination is to go with Mark McBride at Stephens, Inc. I asked what the other alternatives were and he said the following, a list of four firms."
A I have all that. Now, what is the question?
Q The question is, does this help refresh or change your recollection as to whether the governor

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was ever asked for guidance or advice on what -- financial firm to use with regard to financing by state agencies?
A Well, my answer is still the same. I don't know that, to my knowledge. You tell me you have something in writing that says it happened. I didn't know it and I don't know it.
Q Do you know anyone by the name of Ballard, or the last name Ballard?
A I have a childhood friend by that name. Vo-Tech would mean somebody in the State Department of Education, but I don't remember a name now.
Q Do you recall having a conversation with someone suggesting that they talk to the governor before hiring a financial adviser?
A I have no recollection of it.
Q Okay.
MR. ATKINS: What were the initials again?
MR. O'CALLAGHAN: P.J., P as in Paul and J as in James.
BY MR. O'CALLAGHAN:
Q Do you know if the governor ever

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recommended Lasater to the Vo-Tech board for a refinancing of their bonds?

A I have no idea. No, I do not know it. We did three bond issues in that area, and as far as I know, they weren't involved.

Q During the period 1982 through 1986, are you aware of any legal work or -- let me rephrase the question.

Are you aware of any litigation that the law firm was involved in that involved Dan Lasater, or Lasater & Company, as a party to the litigation?

A I am not aware of any, no.

Q Just for clarity, or to help refresh your recollection, are you aware whether the Rose Law Firm ever represented the FDIC, or the First American Savings & Loan Association, in a suit against Lasater & Company in 1985?

MR. FEUER: Michael, I would ask how that question fits within the scope of Senate Resolution 120.

MR. ATKINS: Besides that, it is factually inaccurate.

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MR. O'CALLAGHAN: Well, it is a question, so it is not -- I am not saying that anything is -- I am not representing any facts to be a certain way. I was asking Mr. Campbell a question, whether he had knowledge of an incident of a litigation that occurred during that time period involving those parties.

MR. ATKINS: You asked him if he was aware of facts that are false. George, you can answer that if you like.

THE WITNESS: Well, my answer is that I don't know anything about any FDIC lawsuits, because I didn't do any of that work. And you know, some of those names sound like something I have read or heard about in the newspaper in the last two years, but I don't know anything about them.

BY MR. O'CALLAGHAN:

Q So you don't have any personal knowledge of that?

A No.

Q During the period 1982 through 1986, did you have any personal contact with Dan Lasater?

A Not to my knowledge.
Q I'm sorry, was that not to your knowledge?
A Not to my knowledge.
Q Did you have any personal contact with the governor?
A Occasionally.
Q Did you have any discussions about AHDA or ADFA bond offerings?
A No. If that was in that time frame we wrote the ADFA legislation.
Q Other than that?
A No.
MR. O'CALLAGHAN: I have no further questions at this time. Thank you.
EXAMINATION
BY MR. FEUER:
Q Mr. Campbell, this is Mitchell Feuer, I think I have a very small number of questions for you.
In 1982, when Governor Frank White sought re-election, was his opponent the former governor of Arkansas, Bill Clinton?



A That's my recollection.
Q Did you have an impression at that time as to whether the firm Stephens, Inc. favored one candidate or the other in that election?
A My recollection is that they favored Governor White.
Q Where did Governor White go to work after he was defeated for re-election in that election?
A I'm not sure of his exact title, but he became an officer at Stephens Inc. in their public finance area.
Q Did Stephens, Inc. continue to participate in AHDA and ADFA bond underwriting business after Bill Clinton defeated Frank White in 1982?
A Yes.
Q Are you aware of any underwriting firms being included or excluded from AHDA or ADFA bond underwriting business based on which political candidates they supported?
A No.
MR. FEUER: That's all I have.
EXAMINATION

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BY MR. O'CALLAGHAN:
Q Mr. Campbell, I have one document which I meant to discuss with you earlier. I just want to -- it was produced to the Committee and I want to have you identify it or see if you recall creating it.
It bears Bates stamp DKSN 027278 through DKSN 027383. And it is a memorandum, to Hillary Rodham Clinton and Web Hubbell from George E. Campbell dated September 11, 1986. And it reads "re: regarding legal services in connection with bond issues of the state of Arkansas and related agencies during the period 1978 through July 1st, 1986."
And the short paragraph, which I will read, says "the attached memorandum sets out each of the bond issues for which we have performed professional services during the referenced period. The report is in three parts. Pages 1 and 2 indicate those issues for which we have served on bond counsel pages; 3 and 4 indicate those issues for which we have served as underwriter's counsel; and page 5 indicates the one issue in which we serve as issuer's counsel. Please let me know if you need other information."

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Then there are initials "GEC: LG." And the attached pages contain tables listing issue, date of issue, principal amount, and fee as bond counsel.
And similar tables, that's for the bond counsel services 7/86. The second page is a continuance and consistent with the front of the document. The next page is underwriter's counsel services. 78 through 86, and then the last page is issuer's counsel services.
Do you recall preparing a document similar to one I have just described to you?
A Yes.
Q And do you recall how you came to prepare that document?
A Well, my recollection is that it arose out of the circumstances that we heard about earlier, about Mrs. Clinton's desire to reimburse the firm for any fees that came from that sort of work. And since I did most of it, I was asked to get the information together.
I haven't seen it since then, but that sounds like what I did.

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Q So this is a document you prepared to help identify or target which business the firm did, state business the firm did, with the AHDA and ADFA to help parcel that out from Mrs. -- to help Mrs. Clinton figure out what she was going to reimburse the firm for?

A That's my recollection.

Q There is some writing on top, right corner in dark pen, and this may or may not have been on the document you saw. If you are not familiar with it just let me know. It reads "BC -- I have to explain this to you."

Did you ever see this document with that writing on it?

A No. I can't say that I've ever seen it, but it sounds like something I did.

Q Who would BC be, are you aware?

A No.

Q Do you know if this document was supplied to the governor's office?

A Wouldn't have any idea.

Q And who did you provide the document to?

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A Whoever it is addressed to.

Q It says to Hillary Rodham Clinton and Web Hubbell, and there is a check mark next to Hillary Rodham Clinton.

A I guess you got it from her, then. I don't know. Or that's who I sent it to.

MR. O'CALLAGHAN: Thank you. I have no further questions.

MR. FEUER: Thank you.

(Whereupon, at 3:47 p.m., the deposition was concluded.)

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GEORGE EMERSON CAMPBELL

I, JOANNE LIVERANI , the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Joanne Liverani
Notary Public in and for the
District of Columbia

My Commission Expires JULY 31, 2000

DEPONENT George E. Campbell

## ERRATA

| PAGE | LINE | CHANGE FROM | CHANGE TO | REASON |
|---|---|---|---|---|
| 31 | 10 | quota | quote a | reporter's error |
| 39 | 12 | Whitewater | Wastewater | reporter's error |
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# DEPOSITION OF DAVID A. KNIGHT
# IN RE: S. RES. 120

**FRIDAY, APRIL 26, 1996**

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER
DEVELOPMENT CORPORATION AND RELATED MATTERS,
*Washington, DC.*

Telephone deposition of DAVID A. KNIGHT, called for examination pursuant to notice of deposition, at 4:15 p.m. in Room 640–A of the Hart Senate Office Building, before JULIE BAKER, a Notary Public within and for the District of Columbia, when were present:

ALICE S. FISHER, ESQ.
Majority Deputy Special Counsel
LANCE COLE, ESQ.
Minority Deputy Special Counsel
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Building
Washington, DC 20510
On behalf of the Committee.

ALDEN L. ATKINS, ESQ.
Vinson & Elkins, L.L.P.
The Willard Office Building
1455 Pennsylvania Avenue, NW
Washington, DC 20004–1008
On behalf of the Deponent.

ALSO PRESENT: JENNIFER M. SWARTZ

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PROCEEDINGS

MS. FISHER: As I identified myself before, I'm Alice Fisher. I'm deputy special counsel for the Majority staff. This deposition is being conducted pursuant to Senate Resolution 120, which establishes the Special Committee administered by the Banking Committee to conduct an investigation involving Whitewater Development Corporation, Madison Guaranty Savings & Loan and other related matters.

Section 1(b) of the resolution sets out an investigation and public hearings into issues which will be the focus of today's deposition. I'll ask you a series of questions and ask you that you testify under oath. If you don't understand a question, please let me know; I'll rephrase. And if you need a break, let me know.

The stenographer will prepare a record of the questions and answers and the deposition will be treated as committee confidential until the commencement of public hearings relating to the subject if there are any, in fact. Prior to any hearing after the deposition comes back, if you want



to come to the Senate to review your transcript and fill out an errata sheet, you can do that.

Alden, if you want to come on his behalf to do that, you're welcome to just make that appointment with Lori.

MR. ATKINS: Okay.

MS. FISHER: I see that you're represented by counsel. If you want to state an appearance for the record.

MR. ATKINS: Sure. This is Alden Atkins from Vinson & Elkins.

MS. FISHER: And Mr. Knight, will you agree to be sworn in over the phone?

MR. KNIGHT: Yes.

Whereupon,

DAVID A. KNIGHT

was called as a witness and, having first been duly sworn, was examined and testified as follows:

EXAMINATION

BY MS. FISHER:

Q Do you want to state your full name for the record, please.

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A David Arceneaux Knight.

Q Could you give me a brief description of your employment history.

A Following college?

Q That would be great.

A After college, I went into the military into officer's school and was in the military for 3-1/2 years. Most of that time I spent as a missile launch officer.

I left the military in January of '75, finished a master's degree in public administration that I had been working on that summer and started law school at the University of Arkansas in Fayetteville in the fall of '75. I graduated from law school in May of '78. Worked for a year as a law clerk to J. Smith Henley, who was the judge on the U.S. Eighth Circuit Court of Appeals.

In '79, after I completed my clerkship, I went to work as a staff attorney in the office of the general counsel of the Securities and Exchange

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Commission, and I worked there until the midsummer of 1981, and I started as an attorney in private practice with the Rose Law Firm in October of 1981, and I was with the Rose Law Firm in that time until April of 1988. And in April of 1988, I took my current job position, which is general counsel of Stephens, Inc., and I've been here ever since.

Q Did there come a time when you became partner of the Rose Law Firm?

A Yes. It was roughly 2-1/2 years after I joined the firm.

Q So sometime in '83?

A Yeah. That sounds about right. And at some point after that, I became a senior partner, a couple of years after that.

Q And was there a particular division within the firm that you worked in?

A I worked in what was called the securities section.

Q Mr. Knight, are you aware of the Committee's document request to the Rose Law Firm?

A No.

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Q Did you at any time search for documents that may be responsive to the Committee's document request at any time?
A I didn't really take any documents with me from the Rose Law Firm when I came over here that had anything to do with this matter, so I really didn't have anything to search.
Q So they would have all been left at the firm?
A Yes, absolutely.
Q Did you speak to anyone other than your counsel prior to the deposition with regard to this deposition?
A No.
Q I want to focus your attention to a period in 1985, if I could, and ask you if there came a time when you attended a lunch with Rick Massey and John Latham with regard to Madison Guaranty?
A Yes. I did attend a lunch with the two of them, and I believe it was in the spring of '85, but that really is a guess. I thought about that and tried to nail that date down, and I'm not sure of the

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precise date, but I think it was in that time frame.
Q Prior to the lunch, did you know John Latham?
A Yes. I had met John Latham the preceding semester. He was a student in a securities law course that I was teaching. I believe it was a night course, and I met him for the first time as a student in that course.
Q And just for the record, was he president of Madison Guaranty Savings & Loan at that time?
A That was my understanding.
Q Did you teach this course with Mr. Massey?
A Yes. Actually, I was the professor of record, I guess you would describe it. I was the one that was really teaching it as far as the university was concerned, and Rick Massey was helping me teach it, and in particular, he would help cover for me when I had travel that conflicted with my class schedule.
Q So when you couldn't make it to teach the class, he would fill in for you?
A Yes, and maybe a little bit more than

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that. We kind of taught it together, but it was technically my responsibility.
Q Prior to that time in the spring of '85, had you done any work for Madison Guaranty Savings & Loan?
A No.
Q Did you at some point prior to this lunch work for Madison Bank and Trust on a matter?
A Not to my knowledge.
MS. FISHER: One of the billing records that we have that's marked DKSN 28933, Alden, for your benefit, if you have them in front of you --
MR. ATKINS: You're talking about the fee credit reports?
MS. FISHER: No, I'm talking about a billing record, I believe. It was part of the package that was produced in January.
BY MS. FISHER:
Q It's hard to read, but I believe it must have been the Bank of Kingston matter, and it lists your name as one of the lawyers who had rendered legal services, and it has a date on the top of

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1981.
A Well, I started with the firm, I think, in October of 1981. I mean, so I would have been a brand-new associate, and it's possible that somebody may have asked me to research a legal question or do a memo or something like that, but I honestly don't remember the Bank of Kingston at all, and I wouldn't have even recognized that that was related to Madison Guaranty. I just don't remember anything about it.
MR. COLE: Why don't we read the entire entry into the record just for clarity of the record and perhaps to help Mr. Knight out.
MS. FISHER: That's what I was going to do.
THE WITNESS: Okay.
BY MS. FISHER:
Q What it says is "for legal services and professional advice rendered by C.J. Giroir, Jr.," I think it's "Richard B. Steinkamp, David A. Knight, Vincent Foster, Jr., Carol Arnold" -- Carol?
A Carol Arnold, yes.
Q It says "Rodham" at the bottom of the page, but I can't read Rodham right there. Do you have any

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idea, Lance, what it says?
A I don't have any reason -- if you've got that record and that's what it says, I certainly don't have any reason to dispute that I did something on that matter.
Q Right.
A I just don't recall what it is or if I did it.
Q It goes on to say "from during the period April 13, 1981 through December 15, 1981, including time spent in continuances with" --
MR. COLE: Conferences?
BY MS. FISHER:
Q -- "client conferences maybe, research preparation or pleadings, correspondence re: First National Bank of Huntsville versus Madison Bank and Trust, Madison" -- oh, something chancery number. That's what it says. So given the names of those people and the name of the matter, does it refresh your recollection at all that you had worked on something involving Madison Bank and Trust?
A No, it really doesn't. I mean, I recognize

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all those people, and I work with Joe Giroir and Richard Steinkamp. Those were two people who worked in my section, but I don't remember doing any work on what that work was really.
Q When you attended the lunch in 1985 with Mr. Latham and Mr. Massey, do you recall having the impression that you had not worked for this client before?
A Yes. For me, it was a brand-new client.
Q Why don't you tell me what you recall about the substance of the discussion at that lunch?
A It's been so long ago that I don't recall any of the particular, like, exact language, but as I recall, it was after the course was over and the papers were graded, and the purpose of the lunch was basically, from my standpoint, was basically to go and to talk to John Latham about what Madison -- what type of business Madison was doing and to get a feel for whether they were doing any type of securities work or business transactions or financing that fell into my specialty area, and Rick worked with me a lot on those types of transactions.

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In other words, we were out there prospecting for business and to see what kind of work they had and tell John Latham the type of work we did on a regular basis and information about representative clients that we had and see if there was something they had that was an opportunity for work, and that was generally the gist of the conversation that we had.

Q Who asked you to attend the lunch?

A To the best much my recollection, I think Rick Massey came up with the idea of taking John Latham to lunch, and I said I thought that would be a good idea.

Q Do you remember anything that Mr. Latham said with regard to this subject?

A Well, when we talked to him about doing some work, my recollection is that he said even though he was the president, that really it was James McDougal that made the decisions about hiring lawyers and that Madison had a regular outside counsel -- a regular firm that it used as outside counsel, which was the Mitchell law firm, and so that relationship

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was already there, and I believe he just generally indicated that he thought that had been a good relationship and that they were satisfied with the work that the Mitchell firm was doing, and he really wasn't very encouraging about our getting any work because of the relationship with the Mitchell firm.

Q So he didn't tell you at that lunch that he was going to send business your way, basically?

A No, he did not. As a matter of fact, he said he didn't really think there was much of a business opportunity there for me and Rick anyway. We were really asking him about securities work and finance work.

Q Did he tell you anything about Madison's plans for securities work at that time?

A I really can't recall. We were kind of interested, as I recall, because of the type of work the savings and loans were doing as to whether there might be some real estate syndication work, something like that, but I don't think -- I'm pretty sure he didn't get into any kind of specific detail about what projects they were working on. We never really

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got that far.
Q At that point, did you ask Mr. Latham whether you could meet with Mr. McDougal since it was Mr. McDougal who was making the decisions on who to hire?
A No.
Q Did Mr. Massey ask if a meeting could be arranged with Mr. McDougal?
A Not that I recall.
Q So what was your impression after -- what was your impression after you left the lunch about what the next step would be, if any?
A Well, my impression was that -- which has been typical of my experience in the business is that when a large firm like the Mitchell firm has an existing relationship with a business like that, and it seems like everything is going well, that there's just a lot of natural resistance to rocking the boat, bringing in new counsel, and there just wasn't much of an opportunity there, and so I just forgot about it and went on about my business. I just didn't figure there was much there to pursue.

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Q During the lunch, do you recall anyone, Mr. Latham or Mr. Massey -- I'm sorry. Strike that.
Other than Mr. Latham and Mr. Massey and yourself, was anyone else at the lunch?
A No.
Q Do you recall at the lunch anyone bringing up or discussing the prior work the Rose Law Firm had done for Madison Bank and Trust?
A I'm fairly certain that didn't happen. I'm not sure I was even aware of any prior work that the Rose Law Firm had done. I don't believe I was.
Q So Mr. Latham didn't, for example, mention the fact that there were unpaid bills at the Rose Law Firm that Madison Bank and Trust had not paid?
A No. He did not, and I would have to go back and correct. I did know at that point that there had been -- immediately prior to that lunch, I had learned that there had been some kind of work, litigation work, and there had been some sort of problem with billing, but I didn't really have any information about what that work related to, so I guess I did know that there had been some work that

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the Rose Law Firm had done probably out of the litigation section, but it was nothing that I had any firsthand knowledge of, and we did not discuss that in the lunch with Latham.

Q Who told you about that?

A I had -- and this is a -- I'm trying to get this right. It's kind of a vague recollection because it was a very short conversation, but my recollection is that I had mentioned -- I had gone into Joe Giroir's office and had mentioned to him that Rick and I were going to lunch with John Latham and had been a student in my class and was president of Madison and we were going to go have lunch with him and see if there was a possibility of some business there.

And he mentioned to me that there had been some type of an argument or dispute over fees, and I think he said it was with somebody in the litigation section about a past representation of Madison and that it was fine. He thought it was fine to go ahead and have the lunch. But if anything came out of it, and we decided we wanted to undertake a

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representation on something, that we needed to -- I needed to look into that and make sure there wasn't a problem there.

Q Did he tell you who you had to talk to about that?

A I don't believe so.

Q Did he tell you whether the bill had indeed been paid by that time?

A I think what I told you is -- what I told you is really my total recollection of that conversation, and I didn't get into it, into any more detail because the context of the conversation was well, if something comes up from the lunch, then look into it, and nothing ever came from the lunch, and so I never looked into it, so I didn't get any more information on it.

Q So you don't recall, for example, whether Mr. Gerard told you that there was a dispute over the fees or whether he told you well, we have some outstanding bills that they never paid?

A I really just don't remember that kind of detail.

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Q Okay. Thanks.
Did Mrs. Clinton's name come up in the conversation at lunch with Mr. Latham and Mr. Massey?
A I don't believe so.
Q Did Mr. Foster's?
A No, I don't believe so.
Q Did you know at that time that the Clintons and the McDougals were friends?
A I can't really remember. It's possible that I heard there was some relationship there, but I can't tell. I've read so much about it in the newspapers, books and whatnot. Since then, it's kind of hard to piece it back together, but I don't think I had a good understanding of what, if any, relationship was there, or I'm not sure if I even knew there was a relationship there at this point.
Q Did you know whether they were business partners, just to be specific?
A Oh, no, I wouldn't have known anything about that.
Q Do you recall -- after the lunch, did you have a discussion with Mr. Massey about the lunch?

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A Oh, I think I probably had a discussion with him after the lunch about well, that kind of winds that up type of discussion. It didn't look to be like there's really anything there, and that's about all I recall.
Q Did there come a time when you came to learn that the Rose Law Firm had been retained by Madison?
A Yes. At some point, I learned that the Rose Law Firm had been retained by Madison with respect to the recapitalization or some sort of a corporate transaction they wanted to do that involved filing something with the state securities commission.
Q Do you recall how soon after the lunch that occurred?
A I really have no idea about that.
Q Do you recall how you learned of the representation?
A Oh, I think Rick Massey mentioned it to me.
Q Do you recall what he said when he told you?

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A No. Right now, all I can recall is I generally came to know about the fact that that business was in-house.
Q Do you recall that you were surprised when you learned that?
A Well, I probably took note of the fact that gee, I didn't get it. It's in-house or something is in-house, but I don't think I would say surprised. I mean, I had gone on to do a lot of other work and by that time was doing a lot of major corporate and finance transactions for three or four public clients, and I was just buried all the time, and frankly, it just wasn't a very big issue to me.
Q Did Mr. Massey ever come to you and tell you that Madison hired the Rose Law Firm because of the lunch or because due to his efforts?
A I really don't remember having any discussions with Rick about how that work came in-house at all.
Q Do you think that you would recall it if Mr. Massey told you that the work came in because of the lunch that you had with Mr. Latham?

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A I don't know whether I would recall it or not. I don't recall him ever saying anything like that.
Q Mr. Massey was a first-year associate at this time; is that correct?
A That's probably about right. I'm not sure -- like I said, I came to the firm in late '81, and I think I was probably a partner when Rick joined the firm, so yeah, he would have been in his first year or maybe a little bit after that. I'm not sure exactly the timing on it, but you know, he was a young associate.
Q When you found out that Madison had retained the Rose Law Firm, were you told or did you find out in some way who the billing partner on the matter was?
A I don't believe I ever knew who the billing partner on the matter was, until I read it years later.
Q So you didn't know that the billing partner for the Madison work was Mrs. Clinton until late '80s or when?

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A Well, I don't really know when it was. I really don't believe I knew it at the time who the billing partner on it was.
Q Given the fact that you had pitched the business to Mr. Latham and the business that came in was corporate or securities type work, were you interested at all that the business didn't come to you?
A Not really. Like I say, I was certainly glad that we had business, but by that time, I was representing, like I say, three big corporate clients, Fairfield Communities and the bank corporation, Tyson Foods, and the last thing I needed was more business, so it just wasn't an issue to me really, and savings and loan work was not my real forte anyway. I was really more interested in doing public company work which was what I had ended up doing.
Q Mr. Knight, if you were not aware that Mrs. Clinton was the billing partner on this matter, did you assume that it was someone else, in particular?

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A I really -- I'm not sure I ever focused on the issue as to who was the billing attorney on it. I wasn't doing any work on it. It wasn't very significant work on it. It wasn't something that I remember us focusing on. It's possible that I knew, but I just don't recall wondering who was the billing attorney and going and finding out the thing.
Q Does the fact of bringing in a client or being the billing attorney for a client factor into a partner's compensation at the Rose Law Firm?
A Yes.
Q So if Madison had come to you and you had been the billing partner on that, that would have factored into your compensation, correct, at the end of the day?
A Yes. Generally speaking, the compensation of the firm related to hours that were billed and collected. But normally, if you're the person that brings in a matter and becomes the billing attorney on it, usually that means you're doing the work on it and those are your hours and you're getting paid for it. So it's not a precise correlation there.

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But normally, being the billing attorney on the matter means you're going to be working on it and deriving revenues from it, and you're going to be working on the bills and dealing with the client about how much to charge and that sort of thing.

Q Do you recall whether Mr. Massey ever told you that he got some kind of bonus or some commendation for bringing Madison in as a client?

A I don't really remember anything like that.

Q Do you recall having any discussions with Mrs. Clinton during this period, '85 or '86, about work for Madison Guaranty?

A No.

Q Do you recall having any discussions with Mr. Foster about this work?

A No.

Q Did you at any time advise Mr. Massey that there were problems with having Madison as a client because of the problems and having work paid for in the past?

A No, I don't think so.

Q So you had no participation in negotiating

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a retainer agreement; is that correct?

A Absolutely. I didn't even know there was a retainer agreement.

Q Did Mr. Massey ever tell you that he spoke to Mrs. Clinton about the work, about bringing in the work?

A He might have. I really don't remember anything about how that work got to the firm. I just kind of remember knowing that Rick was working on it or had been asked to work on it and that's kind of what I remember about it, and I remember that I knew that from talking to Rick because he had an office right next door to me, and we visited about stuff all the time. He probably worked more with me than anybody else, so it probably was just very general conversations about what he was working on.

Q Just to be clear as to the question, you don't recall Mr. Massey ever telling you that he had a discussion with Mrs. Clinton about bringing in the work?

A No.

Q Did Mr. Massey ever tell you that

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Mrs. Clinton was going to see Mr. McDougal about the business?

A No, not that I recall.

Q According to the billing records, the initial work that Rose Law Firm did for Madison particularly was a preferred stock deal. Given that, do you have an understanding as to why a litigation attorney would be the billing partner on such a matter? If you can give me some understanding about the way the firm works.

A Oh, well, that really would be unusual, given any type of lawyer might bring a business client or a corporate client in, it might be a litigator or a tax lawyer or securities lawyer or bond lawyer or labor lawyer, and whoever brought the business in would probably open an account and then it might well be the business attorney.

Then that lawyer, to the extent that the client needed work outside of the billing lawyer's expertise, would get other lawyers from the appropriate sections of the firm to pitch in and help with the work on it.

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Q Do you recall working on any matters -- do you have a recollection of working on any matters involving Madison Guaranty in '85 or '86?

A I really don't. I looked at the billing records that Alden showed me, and I noticed there was a half-hour conference, I think, with Rick Massey, but I really don't remember what that was about. I mean, I'm sure if it was down there, I had conference about something to deal with the project, but I just don't remember what it was.

Q Let me just go through the billing records and explain to you where your name appears on them. If it helps you refresh your recollection, you can tell me, and if not -- if you don't remember, just tell me.

A Okay.

Q The first entry where your name appears is May 3, 1985, and it's an entry by Rick Massey "to revise stock subscription agreement and conference with David Knight." Do you have any recollection of -- and this is early on in the representation -- do you have any recollection of having such a

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conference with Mr. Massey?
A No.
MR. COLE: What's the date of that conference?
MS. FISHER: It's May 3, 1985.
BY MS. FISHER:
Q On June 19, 1985, Mr. Massey also writes down another conference with S. Hawkins, D. Knight, Charles Handley, and it's billed to the limited partnership matter for Madison Guaranty. Does that refresh your recollection at all?
A No, I don't even recognize those other names.
Q Do you know Sarah Hawkins or Charles Handley?
A No.
Q Do you recall having any discussions with anyone at the Arkansas Securities Department about Madison Guaranty?
A No.
Q Do you recall having any other conversations with any officers, directors or

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employees of Madison Guaranty in this '85, '86 time period?
A Not other than that lunch with Latham.
Q On June 20 -- and this may be the same conference, but it's just marked down on two different days -- it says you bill a matter, "conference re: Massey application and holding company matters." Do you recall that?
A I remember looking at that time entry, but I honestly don't remember that. It might help you to understand that, like I said, Rick Massey's office was right next to mine and so he would quite frequently come in and ask me questions or get my thoughts on a project that I wasn't working on, just ask me legal theory or what I thought about this or what I thought about that. And normally, I was in the middle of doing 25 other things, and those are the kind of things that I just don't really register very much at this stage.
Q Sure, I understand. Let me just go further. On September 20, the fall of that year, Mrs. Clinton bills time which includes a conference

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with you and Mr. Massey. Do you recall having a conference with Mrs. Clinton about the Madison Guaranty matter?

A I don't remember ever having talked to her about Madison Guaranty. I mean, I don't have any reason to dispute that entry. I just -- I just don't remember it.

Q On December 2nd of that year, Mr. Massey bills time to having a conference with you, among other things. So I take it you don't recall that as well?

A No. These were probably -- I mean, the term "conference," it's probably just a very short conversation about something.

Q I appreciate that. And that's it for the billing records. I just needed to go through them. Thank you for your indulgence.

A Sure.

Q Do you recall having any discussions with Mr. Hubbell about Madison Guaranty in the '85 and '86 time period?

A No. I didn't even have him associated with

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Madison, really.

Q Did you know a man by the name of Seth Ward?

A No. I mean, other than what I've read about him in the papers and whatnot. Not personally. I've never met him.

Q Do you recall during the '85 and '86 time period the Rose Law Firm worked on a real estate closing for Madison Guaranty?

A Don't think I knew anything about that.

Q I want to now jump forward to the time period of 1992, if I could.

A Okay.

Q Did you do any work on the Clinton presidential campaign?

A No.

Q Did you speak to anyone during the 1992 campaign about the Madison Guaranty Savings & Loan matter?

A Not that I recall.

Q Did anyone, for example, from the campaign come to you and ask you about how Madison was

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retained or the work that the Rose Law Firm did for Madison?
A No, no.
Q Do you recall prior to 1996, January of 1996, ever seeing Madison Guaranty billing records?
MR. COLE: From the Rose Law Firm?
MS. FISHER: From the Rose Law Firm, excuse me.
THE WITNESS: You mean like someone bringing me billing records from the Rose Law Firm?
BY MS. FISHER:
Q No. Any kind of internal billing records or bills sent from Madison Guaranty to the Rose Law Firm.
A The only time I've ever seen billing records regarding Madison -- I mean, other than perhaps when I filled out a time entry or something back at the time I filled it out, but back in the '83, whatever, '85 range, the only time I've ever seen them was when Alden showed them to me, and in one instance, they showed me a billing record when I testified in front of a grand jury, and that was it.

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Q Did you ever see any Madison files, focusing not on the billing records, but just Madison Guaranty files?
A No.
Q Do you recall whether you ever checked out any Madison Guaranty files from the Rose Law Firm storage facility?
A Oh, no. I was long gone from the Rose Law Firm by all of this, and I really didn't have anything to do with any of that sort of thing.
MR. COLE: We're going to go off the record for a moment so the court reporter can give something to someone.
(Discussion off the record.)
BY MS. FISHER:
Q I just want to ask one final question.
A Okay.
Q Since you left the Rose Law Firm in 1988, have you spoken to anyone other than your counsel about the Rose Law Firm's representation of Madison Guaranty?
MR. ATKINS: Are you also excluding the

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grand jury?
MS. FISHER: Yes, I'm also excluding the grand jury, thank you. I apologize.
THE WITNESS: Rose Law Firm's representation of Madison Guaranty -- you know, I really don't think so, not in any substantive event. As you can probably imagine, this stuff is in the newspaper, and I had 100 people ask me about that, if I've had one, well, what did the Rose Law Firm really do in the representation of Madison Guaranty, but I mean, honestly, I just didn't really do enough work on that to give any kind of a good answer other than what I've read in the newspaper.
BY MS. FISHER:
Q Did you discuss the matter with Mr. Massey?
A Oh, I probably had lunch -- Rick and I are still friends and I'm sure I've had lunch with him a time or two, but he and I have avoided any kind of substantive discussions about it.
Q Have you been contacted by anyone from the White House regarding this matter?
A No.

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Q Have you been contacted by anyone else from the Rose Law Firm regarding this matter?
A Other than Ron Clark, who let me know that people were wanting to talk to me and put me in touch with Alden.
MS. FISHER: That's all the questions that I have. Thank you so much. Mr. Cole might have a couple questions.
THE WITNESS: Okay.
MR. COLE: I do have one or two things and I'll try to be as brief as I can. I don't want to keep you on the telephone for a long time.
EXAMINATION
BY MR. COLE:
Q One comment you made did interest me. If I understood you correctly, you indicated that an attorney at the Rose Law Firm at the time we're talking about, which essentially is 1985 into early 1986, compensation was based upon the hours that they billed to a client; is that correct?
A And that's somewhat of a generalization, but my recollection is that the main -- the main --

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of course, compensation was mainly derived for how many hours that you were actually paid on, in other words, what you billed and then subsequently what was collected, but that was kind of what went into your pot, and then there was a five-year average of how much that was over a five-year period, and they did a mathematical computation, and they might give some extra award for community service or whatever, but that was basically it.

Q To keep this as simple as we can for purposes of the record, am I understanding you correctly that unlike at some law firms where a lawyer who brings in business, then is given compensation for the work that other lawyers do for that client even though the lawyer who brought in the work may not bill time, that was not the way the Rose Firm's compensation worked at the time?

A I can't say to you just categorically that when the compensation committee met, that they didn't give some credit for that, but I would say it was 90, 95 percent based on the work that was done by the attorneys.

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Q At least 90 to 95 percent of the time, if a lawyer wanted to make money from a client, the lawyer needed to bill his or her own time to the client?

A That's correct. He needed to be working.

Q And collected?

A And collected.

Q So if a client gave the Rose Firm an advance against fees that would be billed at a subsequent time, would the partner who was the billing partner obtain any compensation from that if the time was not actually billed?

A I'm sorry. I didn't --

Q I'm trying to think how to phrase this so that it's clear.

A If I understand -- is your question if somebody negotiates a retainer and the money comes in and you're the billing attorney on that, and there's actually no work done, but money is kept, who gets credit for it?

Q The distinction I'm trying to make is people mean different things when they say a "retainer," and in some instances, the payment is a

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retainer and the law firm keeps money whether work is actually done or not, and I would call that a true retainer, and in contrast to that, you would have an advance on fees where a client pays money to a law firm and then the law firm essentially draws against that payment as work gets done. Is that a distinction that you're familiar with?

A Yes.

Q And in the latter instance, what I referred to as an advance on fees, then a client -- if a client made an advance on fees to a law firm, the billing partner would not get any compensation for that unless time was actually billed by that lawyer under the Rose system?

A If I had been the billing attorney, and I can't say that there are some differences between billing attorneys because there are a lot of different billing attorneys in the firm. If I had been the billing attorney on an account, and I had taken in, say, a thousand dollar retainer and one of my partners had done a thousand dollars worth of work and charged it against that retainer, I would have

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given all thousand dollars to the attorney that did the work on it.

Q Could a first-year associate be the billing attorney on a client account at that time, 1985-1986, at the Rose Firm?

A I don't believe so. I'm not -- I really don't believe that would have happened. They're under pretty tight supervision.

Q Do you know of any instances where associates who were not partners or members of the firm were billing attorneys on client accounts?

A Maybe after they had been there a long time possibly, but normally it was a partner that was the billing attorney. I think I probably had a couple of instances as a senior associate where I was billing attorney on the matter that I brought in.

Q But no first- or second-year associates would have been billing attorneys on client accounts?

A I didn't see that happening, not in my experience. I can't say that it didn't ever happen somewhere, but not in my experience.

Q With regard to the lunch that you and

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Mr. Massey had with Mr. Latham, you indicated that your recollection was that Mr. Massey had the idea of setting up the lunch?

A I think that's right, yes.

Q Do you know whether he did that on his own initiative or whether someone in the firm suggested that he do that?

A My general recollection is that during the course of our classroom work, both of us got to be fairly impressed with John Latham because he was an older student and he had financial and business background, and he just understood more about business and finance and securities law than most of the students in there, and so he was someone that, for example, that I called on more frequently and he would come up after class and ask questions about things.

So he was someone that I think I probably mentioned to Rick. This guy is pretty sharp. He's one of our better students and that sort of thing, and I'll generally call Rick and say you know, after the class is over and the paper is graded and

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whatnot, we can go out to lunch with him and see maybe if we can do some business over there. That's kind of my general recollection of how that developed.

Q Do you know whether Mr. Latham ever asked Mr. Massey questions about securities law matters relating to Madison Guaranty or Madison Guaranty's business?

A No, not really. Normally, it was either I was there or he was there. We never really taught it together. I wouldn't have been privy to those conversations.

Q And you indicated that after the luncheon, Mr. Latham's comment about Mr. McDougal, that you didn't pursue the matter any further in terms of pursuing Madison as a client?

A Right.

Q Do you know whether Mr. Massey, after hearing Mr. McDougal's name, took any further action in terms of trying to find anyone who knew Mr. McDougal or doing anything further?

A If he did, I didn't know about it.

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MR. COLE: I don't have anything else.
MS. FISHER: I just have a couple follow-ups, if you don't mind, and I'll keep it brief.

EXAMINATION

BY MS. FISHER:

Q Am I correct that the billing attorney at the Rose Law Firm was the one responsible for deciding who got what amount of fee credits for a particular matter?

A Well, I don't know that there were any hard and fast rules on that. The billing attorney prepared the bills. For example, when I was billing attorney on a matter, and I had three or four different partners that were working with me on a matter, someone helping me on tax matters, that kind of thing, my normal practice was to go to the other partners and say okay, here's what I propose to do. We'll either give them -- because sometimes we didn't have an hourly rate.

Sometimes we had a negotiated fee or I would either bill it out at a straight hourly rate as

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to what everybody had and if I made any deviation from that, whether we were getting to charge a fixed fee and dividing it up or whether we were having to discount a fee and I was having to adjust these downward, I would have talked to the other partners on the matter and discussed with them how to bill the client and especially tell them if they weren't getting paid their normal rate.

So for me, it was more kind of a collegial exercise, and other times, other partners would just not do that as much, and you would just kind of see a credit come across unless you went and compared it against your billing records. You didn't really know how it related.

Q Let me give you an example and see if I can just sharpen this up a little bit. If the partner was the billing partner and they had an associate working on that matter so it was just the associate and the partner, and at the end of the day the bill comes in, it's the partner, is it not, that determines what amount of fee credits are going to go to the associate and what amount of fee credits are

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going to go to the partner, the billing partner? Is that correct?

A Usually they would have final say, even in that instance. If I had an associate that had a lot of hours on a matter, and I just didn't feel like it was justified, and we could afford to charge the client that, I would go talk to the associate and tell them I was going to write down their hours, and that would be my choice and my ultimate decision to do that because I was the partner that was handling that matter. That was my client.

Q Thanks. That's exactly what I was looking for.

Let me just ask you an unrelated question. Did you teach that securities law class prior to 1985?

A Well, I taught over there, I think, four separate times, I believe, and I taught corporations and sales, and I think I taught securities twice, and I believe this course was the first time, not the second time. My problem is I don't really -- I didn't really keep any records of when I taught and

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when I didn't. It's been a long time ago, but I'm pretty sure it was the first time I had taught it.

Q What school was this at?

A It was the University of Arkansas law school at Little Rock. There's also a University of law school at Fayetteville, which is where I graduated, but this was at the Little Rock law school.

Q And do you know whether they were on basis, a year-long basis -- let me tell you what I'm getting at, just to try to -- you testified before that this lunch occurred after the papers were done --

A Yes.

Q -- which suggests to me it was towards the end of the semester.

A I think that's right, and I'm kind of vague on that, but I think it was probably -- it was around Christmas and maybe we had that lunch sometime in February or March kind of thing. I'm just guessing at that.

Q Okay. That's helpful. I appreciate that.

A It was a semester system.

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Q And the class that you taught ended around Christmastime?
A Yes.
MS. FISHER: I appreciate your time today, Mr. Knight.
MR. COLE: I hate to do this, but I'm confused about something now.
THE WITNESS: Okay.
EXAMINATION
BY MR. COLE:
Q In the questions Ms. Fisher asked you about the fee credits and how a partner could allocate those fee credits, it wasn't clear to me in your response whether you were talking about the bill that would go out to a client and how much a client would be billed or whether you were talking about the compensation that partners and associates of the firm ultimately would be paid based upon that work.
A Okay. The way it works is everybody reports their fees, and then you get -- at the end of the day, you get a computerized printout of all fees from all attorneys and paralegals and whatnot that

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have been charged to that matter. And you're the billing attorney and you work off that printout to prepare a statement. So say, for example, that you had an associate that worked 100 hours and you felt like that that work just wasn't justified, and you cut the associate's hours down to 50 -- I'm not saying you do that -- but if you did that, then the associate -- then when the bill is paid, then the associate, of course, only gets paid for 50 hours and that would be the primary basis of their compensation, not the 100 hours because you didn't get paid for that.
Q So at that time at the Rose Law Firm, associates weren't paid a base salary. How much they were paid was determined based on the number of hours they billed and then were collected in a year?
A Well, actually, the first few years that you were an associate, everybody was kind of lock-stepped and all of the classes were kind of brought in together and the bonuses that were paid at the end of the year tended to be about the same, and then as associates had been there longer and you

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started to notice significant differences in their performance levels and the amount that they billed, you would gradually over time start to see more significant differences in their bonuses. Their salaries would normally stay the same, but their bonuses would get larger for people who were more productive. And the five-year floating average that I was talking about, fees billed and collected, that was really more of a partner's compensation structure.

Q That's what I understood, and I think we've made this more complicated than necessary by trying to very carefully speak in generalities here, and I would like to actually make it specific since we all know what we're talking about.

In the case of the Madison Guaranty representation in 1985 and 1986 where Mrs. Clinton was the billing partner and Mr. Massey was a first-year associate doing work on that client account, would Mr. Massey's compensation have been affected at all by how much the client was billed or how many hours he billed to the client?

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A Probably very little, if any.

Q And by that, you mean perhaps if he had worked a great deal or done an exceptional job, someone would have recognized that --

A If he had done an exceptional job and at the end of the year Hillary, or whatever partner, had said boy, Rick Massey really did a great job for me on this matter, that might have helped him get a larger bonus.

Q That would be a discretionary bonus?

A Yes.

Q And I understand that. So we can put aside Mr. Massey. Focusing on Mrs. Clinton, and this goes back to the questions I asked you earlier, if I understand your testimony, as a partner, her compensation would have been based on a five-year average of her essentially collected billings; is that correct?

A That's essentially correct. And I hate to keep qualifying this because, as you can probably gather by now, the Rose Law Firm has an incredibly complicated financial compensation arrangement. But

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in addition to the five-year floating average thing, at some point in there, and I'm not sure when, there was a base compensation that was established for partners, and I really don't remember when that was, primarily because I was always above it.

So it could have been that some partners hit on the base compensation level even though their billing and collections wouldn't have warranted that on a pure mathematical basis.

Q I understand. And what I'm getting at is whether Mrs. Clinton's income would have been affected by the number of hours that someone other than she, and in this case we're talking about Mr. Massey, recorded to that client.

A Probably not.

Q That's what I've been trying to get at.

A Yes.

Q And the same, I take it, would be true even if other partners recorded time and collected time on that matter; that would not have affected Mrs. Clinton's five-year average and her compensation?

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A Probably not. I mean, I think again, there was that 5 to 10 percent sort of slack in the joint that if you -- to enable someone that really did bring in a lot of business to maybe make some adjustment, but the basic structure was fee-driven, how much work you did, billed and collected.

Q And I understand what you're saying, unlike some law firms where "fee-driven" would mean fees that a billing partner was responsible for, whether or not the billing partner actually did the work. When you say "fee-driven," you were talking about hours billed and then collected by that lawyer?

A Yes, that's correct.

Q So if Mrs. Clinton was the billing partner on the Madison Guaranty account and other lawyers did work on that account, those hours that were recorded would not have affected Mrs. Clinton's compensation other than as you've testified in the discretionary aspect?

A Yes, I think that's correct to say that.

Q That's what I was trying to get at. Thank you very much.

A Sure.

MR. COLE: I don't have anything further.

MS. FISHER: That's it. I appreciate you doing this on a Friday afternoon, both of you.

MR. ATKINS: Thank you, folks.

(Whereupon, at 5:20 p.m., the deposition was concluded.)

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DAVID A. KNIGHT

CERTIFICATE OF NOTARY PUBLIC & REPORTER 54

I, JULIE BAKER , the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Julie Baker

Notary Public in and for the
District of Columbia

My Commission Expires SEPTEMBER 30, 1997

DEPONENT DAVID A. KNIGHT, April 26, 1996

## ERRATA

| PAGE | LINE | CHANGE FROM | CHANGE TO | REASON |
|---|---|---|---|---|
| 6 | 4 | Firm in that time until | Firm until | transcription error ("TE") |
| 12 | 1 | work | worked | TE |
| 12 | 3 | work on | work or | TE |
| 12 | 20 | financing | financings | TE |
| 13 | 4 | and information | and give him information | TE |
| 13 | 10 | best much my | best of my | TE |
| 17 | 12 | and had been | who had been | TE |
| 17 | 19 | Madison and | Madison -- but | TE |
| 18 | 18 | Mr. Gerard | Mr. Giroir | TE |
| 19 | 11 | can't tell | can't recall | TE |
| 23 | 12 | the bank | Worthen Bank | TE |
| 27 | 11 | would be unusual | would not be unusual | TE |
| 28 | 8 | had conference | had a conference | TE |
| 34 | 9 | by all | by the time of all | TE |
| 37 | 1 | derived for | derived from | TE |
| 39 | 16 | are some | are not some | TE |
| 40 | 7 | They're | They were | TE |
| 27 | 12 | given any | any given | TE |

DEPONENT DAVID A. KNIGHT (Cont'd)

## ERRATA

| PAGE | LINE | CHANGE FROM | CHANGE TO | REASON |
|---|---|---|---|---|
| 41 | 21 | call Rick | tell Rick | TE |
| 43 | 15 | on a | on the | TE |
| 44 | 4 | adjust these | adjust the hours | TE |
| 45 | 6 | could afford | could not afford | TE |
| 45 | 8 | their hours | his hours | TE |
| 46 | 6 | law school | Arkansas law school | TE |
| 48 | 5 | that that | that | TE |
| 50 | 21 | has an | had an | TE |
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# DEPOSITION OF THERESA L. POCKRUS
# IN RE: S. RES. 120

**FRIDAY, APRIL 26, 1996**

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER
DEVELOPMENT CORPORATION AND RELATED MATTERS,
*Washington, DC.*

Telephone deposition of THERESA L. POCKRUS, called for examination pursuant to notice of deposition, at 11:10 a.m. in Room 640–A of the Hart Senate Office Building, before JULIE BAKER, a Notary Public within and for the District of Columbia, when were present:

H. CHRISTOPHER BARTOLOMUCCI, ESQ.
Majority Associate Special Counsel
GLENN F. IVEY, ESQ.
Minority Counsel
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Building
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On behalf of the Committee.

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PROCEEDINGS

MR. BARTOLOMUCCI: Ms. Pockrus, we're on the record. Before we begin the questioning, there's some preliminary information I need to impart to you. This is a deposition conducted pursuant to Senate Resolution 120, which establishes a Special Committee to investigate Whitewater Development Corporation and related matters.

This deposition is in advance of public hearings. You may or may not be called to testify at those hearings. I'll be asking you questions under oath. If you don't understand a question, let me know and I'll rephrase it. And tell me if you need a break at any time.

MS. POCKRUS: Okay.

MR. BARTOLOMUCCI: Our court reporter will prepare a transcript of the deposition and your deposition will be treated as confidential until the commencement of hearings. Prior to that time, you will receive an opportunity to review your deposition to make note of any minor corrections, and if you are called to testify at a public hearing, you'll be



provided with a copy of your deposition transcript.

I believe I advised you that you could have counsel if you wanted to.

MS. POCKRUS: Yes, you did.

MR. BARTOLOMUCCI: Just so you know, we note objections to the forms of questions for the record and it's also permissible to object to questions on grounds of privilege or scope. The Committee chairman ultimately rules on any objections.

I'm going to have the court reporter swear you in now, but before we do, I want to note for the record that we discussed beforehand the fact that this is a phone deposition and we were all agreed to swear you in over the phone.

MS. POCKRUS: Yes.

MR. BARTOLOMUCCI: Do you want to go ahead and swear in the witness.

Whereupon,

THERESA L. POCKRUS

was called as a witness and, having first been duly sworn, was examined and testified as follows:

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EXAMINATION
BY MR. BARTOLOMUCCI:

Q Would you please state your full name for our record.

A My name is Theresa, spelled T-h-e-r-e-s-a, Pockrus, P-o-c-k-r-u-s.

Q And what's your present work address?

A My present work address is 215 East Central, Bentonville, Arkansas 72712.

Q Okay. And would you give us a fast summary of your educational background.

A I graduated from Rogers High School, Rogers, Arkansas in 1971. I graduated from the University of Arkansas with a BS/BA majoring in finance and banking in 1977, and I am studying for my master's degree currently.

Q And what is your present occupation?

A I am an elected official serving as the Benton County tax collector for Benton County,

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Arkansas.

Q And would you describe for me your association with the Bank of Kingston or Madison Bank and Trust?

A I was hired by Madison Bank and Trust in October of 1981 as a consultant. I visited the bank approximately two days a month. I went full-time in June of 1982 as executive vice president, and I left Madison Bank in March of 1983.

Q You never worked at Madison Bank at the time it was known as the Bank of Kingston?

A No. They had already changed their name before I came on.

Q During the time that you were executive vice president, what generally were your duties?

A Most of my duties involved the daily operations of the bank, making small loans, just basically handling the general operations of the bank. Prior to when I went on full-time, Susan McDougal and James McDougal, Steve Smith and his wife, Julie, I think her name was, were in there basically full-time running the operation. And when

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I came in, they weren't in there on the daily operations of the bank, when I came in at the end of June of '82, 1982.

Q Okay. So the persons you named, the McDougals and Mr. Smith, you say, were basically running the bank prior to the time that you came on board as executive vice president?

A Right.

Q And thereafter, they weren't running it?

A Well, they were still -- they were still there. How do I put this? They were not there on a daily basis. Now, they would come in on occasion, and I only had a loan limit of $5000, so anything over $5000 they had to approve or had to be approved by the board of directors. I took loan applications and submitted loan requests to the board or to Jim McDougal. But they weren't there every day sitting there taking the phone calls and answering people's questions and making the daily investments or whenever investments were made, buying and selling -- investments, I mean buying and selling securities like Treasury bills or things like that. They

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weren't there doing that, particular day-to-day operations. They were still involved in making loans on occasion, but I don't know -- does that answer your question?

Q I think it does.

A Okay.

Q And during this time period, the McDougals and the Smiths had a controlling interest in the bank; is that right?

A That's correct.

Q Who hired you at the bank?

A James McDougal.

Q Is that true both with respect to the time during which you were consultant and then later when you were hired as executive vice president?

A Yes.

Q Did you report directly to Mr. McDougal or to someone else?

A I basically felt that I reported to Jim McDougal and then to the board.

Q Do you have a sense of how many employees there were at the bank in --

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A Yes. There were only basically four full-time employees, myself, Gary Bunch, a lady named Carla Hathorn, Belinda Howard -- I'm sorry, there were five -- and Geanine Villines.
Q What was the last name?
A Villines, V-i-l-l-i-n-e-s.
Q Mr. Bunch was the president of the bank; is that right?
A Yes.
Q And you told me a while ago that you managed -- you had a loan portfolio?
A The majority of the loan portfolio was already established before I took -- before I became executive vice president. And what loans -- the only loan authority I had was up to $5000.
Q Now, I take it that by now, you're aware of the loan that Mrs. Clinton had at Madison Bank?
A Yes.
Q I guess actually the loan was taken out in the name of Hillary Rodham.
A Right.
Q But you're aware of that loan?

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A Yes.
Q And were you in charge of that particular loan?
A Well, it was my responsibility to write letters to folks whose loans were past due. So that's what I did. I wrote letters to everyone whose loans were past due because I don't know if it was right around that time or shortly -- but the FDIC -- we knew the FDIC would be coming in before too long, and they don't like to see a whole lot of delinquent loans on the books because I was an FDIC examiner for four years after I graduated from the university. So I was aware of how they -- of what the FDIC looked for and what they would criticize.
And so that was one of the reasons I was hired, was to try to help clean up some situations that may not have been looked favorably upon by the FDIC.
Q Before we get to the letter that you wrote, let me ask you, did you have anything to do with the making of the loan?
A Of this particular loan?

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Q Right.
A No. It was already -- no. It was already in existence before I became executive vice president. It was already in existence before I became a consultant in October of '81.
Q I guess -- just so we're all working with the same information, I guess it's my understanding that the loan was made in December of 1980, so that would have been before you came to the bank at all?
A Right.
Q Now, the matter that you were just alluding to, there came a time when Mrs. Clinton's loan became past due, and you took some action as a consequence?
A Yes.
Q Can you describe those events?
A Well, basically, I wrote her a letter stating that the loan was past due and that something needed to be done to take care of the past due status, and that the current arrangements of interest payments would not even pay the loan. So in effect, by the time the loan matured -- when the loan was going to mature, they would actually owe more than

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they had originally signed a note for, which as a bank examiner and as a bank president, that's not a very good way to handle business. When people make payments, you want them to make payments at least of the amount of interest, even if they're not going to be paying on any of the principal.
Q Before this time when the loan was past due and you wrote the letter, were you aware that Mrs. Clinton had a loan at the bank?
A I was not aware that Hillary Rodham was the governor's wife, and I don't know that that would have made any difference anyway.
Q So you may have known that Hillary Rodham had a loan, but you didn't connect that name as being the wife of the governor?
A Right.
Q And I guess actually in 1982, if I have my chronology right, I think Bill Clinton wasn't the governor?
A That's true, right. The former -- let me put it this way. I did not realize that Hillary Rodham was Bill Clinton's wife.

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Q Right. He had been governor, but lost a 1980 race.
A Right, and was in the process, I believe, of running for reelection in '82.
Q Okay. So you noticed the loan was past due, and you wrote a letter. I sent you two documents this morning which I'll identify for the record. One is DKRT 700318, and one is DKRT 400134. Both of these documents have been publicly released in the past by the House of Representatives, which is why there wasn't a problem with us sending them to you.
The first of these documents, the letter dated August 5, 1982, that's the letter that you sent to Ms. Rodham?
A Yes.
Q And this is a letter that states the note is currently reflecting as past due as defined by federal and state authorities in the second paragraph?
A Yes.
Q Did you talk to anyone at the bank or

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discuss the matter with anyone at the bank before you sent out the letter?
A No.
Q After you sent the letter, you had some communication with Mrs. Clinton; correct?
A Yes. She returned -- well, she sent a letter on August 11, 1982. It indicates in the letter that she sent a phone message, which is a possibility. I don't remember visiting with her over the phone, other than she might have sent a message confirmed by the letter of 1982.
Q You don't remember if she left you a message or not?
A I do not remember, no.
Q You told me a minute ago that one reason you were concerned about this loan is because you knew the FDIC would be coming in for an examination.
A Right.
Q You were generally trying to keep the loans in good order?
A That's correct.
Q Did you have any discussions with either of

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the McDougals about this particular loan or the fact that the examiners were coming in?
A Not that I recall and --
Q Did you want to add something?
A I was just going to say as a former FDIC examiner, any delinquent loans in my opinion was a potential problem.
Q Now, I see in your letter that it indicates that the loan matured on June 1, '82.
A Right.
Q That means that it was due to be paid off on that date?
A That's correct.
Q Now, we understand the original loan to have been due on December 16th, '81. So we've assumed that there was an extension of the loan at some point. Do you know anything about that?
A I do not remember, but that would be the most logical thing that would have occurred. But as far as being able to confirm exactly that that's what happened, I would not be able to do that. But generally, if a loan has an original maturity date,

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and then has another maturity date, there has been an extension agreement signed.
Q You don't have any personal knowledge about that?
A But I have no proof of that, right.
Q And I don't think we've seen any documents to that effect. What did you do after you got the letter signed by Hillary Rodham?
A I believe Mr. McDougal had a copy of the letter also and basically his response to me was that he would take care of it. It was during that time that the McDougals were in the process of purchasing Woodruff County Savings and Loan, which later became Madison Guaranty, and there were several loans at Madison Bank that were subsequently moved to Madison Guaranty and, in particular, after the FDIC had come in and given its report.
Q McDougal told you that he would take care of the loan?
A Well, that he would -- he told me that he would take care of it. Now, what "it" meant, I don't know. I guess I don't remember at this point what

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"it" meant, but the impression that I got was that I would not be doing anymore corresponding with Mrs. Hillary Rodham Clinton.

Q Can you remember anything else that he told you at that time other than that he would take care of it?

A No, I don't, not specifically.

Q And you had no further communication with Mrs. Clinton on the subject?

A Right.

Q Did you come to learn what happened with the loan after McDougal said he would take care of it?

A I believe it was -- shortly thereafter that it was transferred to Madison Guaranty.

Q It was certainly transferred. I'm going to try to help you out here. It's our understanding that the loan was transferred to the Security Bank of Paragould in October or September of '83. Is it possible that it was transferred to a bank other than Madison Guaranty?

A That's a possibility. It's also a

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possibility that there was an extension agreement signed also within a very short period of time after that.

Q That is a Madison Bank --

A Madison Bank, right.

Q -- extension agreement?

A Right, which would have taken it out of the delinquent status. If they extended it, I don't know if they would have extended it for six months or a year. I do not remember. I wish I did.

Q Now, why do you believe that the loan was transferred to Madison Guaranty?

A Because there were several loans that were transferred to Madison Guaranty that the FDIC had come in and criticized at Madison Guaranty.

Q Did you have any discussion with Mr. McDougal about the loan being shifted?

A No.

MR. IVEY: Which loan are we talking about?

MR. BARTOLOMUCCI: I was referring to the Madison Bank loan.

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THE WITNESS: Was there any discussion with me about the loan being shifted? If he and I discussed that?

BY MR. BARTOLOMUCCI:

Q Right.

A No.

Q According to the bank records that we have, the loan at Madison Bank was finally retired in October of '83 with a payment in the amount of almost $5800, but the records don't reflect who made the payment. You don't have any idea who that would have been, do you?

A No, I do not. That was in October of '83?

Q That's right.

A I left the bank in March of '83.

Q So you weren't even there then?

A I wasn't even there then, right.

Q Let's talk about the scrutiny that the bank came under by the federal regulators. It's our understanding that in September of '82 the FDIC commenced an examination of the bank and that this led in January of '83 to the issuance of a notice of

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charges by the FDIC and that among other things, the notice of charges criticized the amount of Madison Bank's out-of-territory loans?

A Right.

Q Is that consistent with your recollection?

A Yes.

Q What else do you remember about the examination of the bank and the criticism of the bank's lending practices that occurred?

MR. IVEY: Well, let's go off the record for a second.

(Discussion off the record.)

BY MR. BARTOLOMUCCI:

Q Sorry about the delay there, Ms. Pockrus.

A That's all right.

Q Were you aware that in January of 1983, the FDIC issued a notice of charges expressing the view that Madison Bank had engaged in poor lending practices and criticizing, among other things, a loan to Whitewater Development Company?

A I knew that the FDIC was quite disturbed at the lending practices at Madison Bank and Trust

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because myself and Gary Bunch and Howard, also known as Rusty, Cain -- and I think there was one other person, but I'm not sure who it was -- flew from Springdale to Memphis, Tennessee to visit with the upper management of the FDIC at the regional offices in Memphis, and you don't do that unless there are some serious problems.

As a former FDIC examiner, I don't know if what the FDIC said was considered to be a cease-and-desist order, but it may have been the preliminary steps of being a cease-and-desist order of certain lending practices at the bank, and I was familiar with those as an FDIC examiner, and the FDIC was concerned about the out-of-territory lending. It was concerned about the amount of lending that was going on that was unsecured, and it was concerned that the loans that had been made were not going to be paid in the manner that they had originally expected to be paid when they were made.

Does that answer your question?

Q It does, and just to help you out a little bit, it's our understanding that there was a

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cease-and-desist order which was issued in April of '83, which would have been just a little bit after you left the bank, so it's not surprising to me that you didn't have a clear memory of that fact.

A It's my understanding of an FDIC cease-and-desist order that you are to cease what you are doing and to straighten out what you've already done.

Q What would have been Madison Bank's lending area?

A Most generally, Madison Bank's lending area should have been Madison County, Arkansas. Kingston itself is a town -- is a village of approximately 200 people. Huntsville is the next city, and it is 20 miles away. As the executive vice president of that bank, if I had been defining the lending area, it would have been confined to Madison County and in particular, those people who had depository relationships with that bank.

Q Would the loan to Hillary Rodham have been an out-of-territory loan?

A Absolutely.

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Q Because she was a borrower in Little Rock, and the loan was secured by property in Marion County?
A That is correct, and not only that, she did not have any sort of depository relationship with the bank.
Q Can you explain for me, in banking terms, what the problem with excessive out-of-territory lending is?
A Well, it's real hard to collect on your collateral if the loan goes bad, and in particular, unsecured loans. I don't believe this particular loan was an unsecured loan, but there were other instances of unsecured loans.
And the other thing is that in making out-of-territory loans, you are taking your depositor's money and loaning it to folks who do not reside basically in your territory, and so you're taking money from the current area and giving it elsewhere, which -- banks can do that, but it's not necessarily a good practice to do. People put money in their local bank so they will have the opportunity

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to borrow that money, not somebody 200 miles away.
Q And the money goes outside of the local community so there's no ripple effect on the local economy?
A Correct. Several years ago, there was a Community Reinvestment Act passed, and when you take a local depositor's money and reinvest it out of the area, you are not reinvesting in your community.
Q The cease-and-desist order we've talked about, which for the record is a document numbered DKSN 001156, does order Madison Bank to cease and desist from "extending credit outside of the bank's trade area." It gives a couple of exceptions. Then it goes on: "For the purpose of this order, the bank's trade area is defined as all of Madison County and the western half of Newton County within the state of Arkansas."
So Mrs. Clinton's loan would have been out of the bank's trade area within that definition; right?
A That's correct.
Q And when this order says that the bank

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could not extend credit, does that mean that Madison Bank would have been barred by this order from granting any more loan extensions?

A That's what the order was intended to do. That's what an order is intended to do, yes, is to bar them from making any more loans, and the result of making additional loans out of territory could be the termination of FDIC insurance to the bank. That's the basic penalty for continuing to do things that a cease-and-desist order orders you not to do.

Q So subsequent to that order, when that loan came due, it would have to be -- it would have to be paid up; right, because no more extensions could be granted?

A That should have been the interpretation of that cease-and-desist order, yes.

Q Now, do you remember anything about the loan that Whitewater Development Company had at Madison Bank?

A No, I do not.

Q Were you even aware what Whitewater Development Company was?

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A No, I was not.

Q Were you even generally aware that Mr. McDougal had any business dealings with Bill Clinton?

A Was I generally aware that Mr. McDougal had business dealings with Bill Clinton?

Q That's right.

A Yes.

Q What did you know about those business dealings back in the early '80s?

A Anything specifically, I do not remember. I knew that they were friends and that they had business dealings together, but I could not give you a litany of what business dealings they were involved in together.

Q You were unaware that they were partners in a real estate venture somewhere?

A Yes, I was unaware of it.

MR. IVEY: Can I see the cease-and-desist order?

MR. BARTOLOMUCCI: Sure.

BY MR. BARTOLOMUCCI:

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Q Did McDougal ever talk to you, or did you ever hear him talk about his relationship with the Clintons?
A There were occasions that we would discuss politics, but to say specifically exactly what he said, I can't help you there. Sorry.
Q Is there anything else about the loan that Mrs. Clinton had at the bank that we haven't talked about that you can add for us?
A Not on this particular loan, no.
Q This is on sort of a different topic, but has anyone associated with the White House or the Clinton presidential campaign contacted you to talk about this loan?
A No.
MR. BARTOLOMUCCI: I think that's all the questions I have right now. So I'm going to turn it over to Mr. Ivey.
THE WITNESS: Okay.
EXAMINATION
BY MR. IVEY:
Q Good morning, ma'am. How are you?

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A I'm fine.
Q I don't think I'm going to take too long, but I wanted to follow up on some questions and see if I could flush a few things out.
You just testified about the lending area issue, and I wanted to see if I could go back and follow up with you on a couple of things. You mentioned, I think, the Community Reinvestment Act?
A Uh-huh.
Q And I assume you're referring to the federal act?
A Right.
Q And you were speaking in terms of the act as it was at the time this loan was made, or was it existence at that time?
A Well, I was speaking in general. Let's see, it was in the late '70s, I believe. Bert Lance was involved in several banking things that were investigated by Congress, and there was a lot of regulation that came down as a result of those investigations, and one of them was the Community Reinvestment Act, because some banks were having a

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tendency to loan moneys outside of their -- what was considered market area. And so to try to avoid that or to try to cut down on the amount of that, Congress passed the Community Reinvestment Act to give banks the incentive to loan in their market areas as opposed to outside of their market area.

Q Okay. My recollection of CRA is that it does attempt to encourage banks and financial institutions to loan within a particular lending area, but that it doesn't preclude entirely loans outside of the lending area. Is that inconsistent with your understanding?

A No. That's about the way I understand it. It did not necessarily say you could not loan outside of your investment area, but that it's more advantageous to loan inside of your investment area or your market area.

Q For the reasons you mentioned before?

A Right.

Q The ripple effect and the local depositors having the benefit of their deposits and that sort of thing?

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A Yes.

Q Were you aware of -- actually, let me strike that and rephrase it.

With respect to the cease-and-desist order that you discussed earlier, DKSN 001157, Mr. Bartolomucci read part of it to you, I want to read a bit more and make sure we're on the same page here with respect to it and get your thoughts on it.

"It is ordered that Madison Bank and Trust" -- blah, blah, blah -- "cease and desist from the following unsafe or unsound practices. 1, extending credit outside of the bank's trade area, except in such instances, 1, where it is found by the board of directors that such loans will be beneficial to the bank."

Do you know if the loan that Mrs. Clinton took out received any type of finding one way or the other by the board of directors with respect to whether it would be beneficial to the bank?

A I do not know.

Q The second exception that's listed here is "and, 2, where such loans have received prior

unanimous approval of the board of directors."
Do you know if that's the case for the loan we were discussing earlier? Do you know one way or the other?
A I do not know.
Q "The finding required by 1 and the prior approval required by 2 shall in connection with each out-of-territory extension of credit be reflected in the minutes of the board of directors. For the purpose of this order, the bank's trading area is defined as all of Madison County and the western half of Newton County within the state of Arkansas." So when you testified earlier that Mrs. Clinton's loan was out of territory and that your understanding was that the loan should not have been extended, you were not aware of the exceptions that I read to you just a moment ago?
A No, I was not.
Q Would that change your thoughts about loan extension?
A No, it would not.
Q Why is that?



A Because I still considered -- I would have recommended to the board that they not extend it. If I had been in the position -- if I had been there as executive vice president, I would not have recommended it because it was still an out-of-territory loan, and a $5 million bank has no business loaning money to people in Little Rock.
Q I understand your feelings there, but the cease-and-desist order, you would agree, specifically provides for that type of action to take place; in other words, for the loan that she had to have been extended; isn't that true?
A Right, but that would not preclude the executive vice president or any of the bank officials from discouraging it to be done.
Q I understand, but I guess the point I'm trying to make or what I want to understand is whether her loan extension would have been in violation of the cease-and-desist order as I just read it to you.
A I can't really answer that question because I don't know, first of all, whether the board even

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addressed it, and secondly, if they did address it, whether it was unanimous, and whether or not the board indicated how it would be beneficial to Madison Bank which I think is in the first item of the cease-and-desist -- it's the first exception.

Q Is it fair to say you wouldn't know if it would be in violation of the cease-and-desist order or not?

A Right, I do not know.

Q I had another question going back to the issue of the transfer of the loan. I think you testified at one point that you thought that this loan that we're talking about, the loan that was made to Mrs. Clinton, or Hillary Rodham at the time, I believe you thought it was transferred to Madison Guaranty Savings & Loan?

A I'm sorry. Can you reask that question again.

Q Okay. I apologize.

A I've had my door closed but someone had to come in my office, so I was trying to listen to you and her at the same time and it did not work.

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Q I understand. I know you have real work to do down there, so I'll try and finish up shortly.

With respect to the testimony or comment you gave about the transfer of Hillary Rodham's loan to Madison Guaranty Savings & Loan, and then you also mentioned it was possible that there was an extension agreement signed -- but I just wanted to be clear on that -- you were offering possible alternatives, but you aren't exactly sure what happened with respect to that loan?

A Right. I'm not exactly sure what happened.

Q You also mentioned that there were several loans that were transferred from Madison Bank and Trust to Madison Guaranty, and that was criticized by the FDIC examiners; is that correct?

A Yes.

Q Do you know if those loans had anything to do with Hillary Rodham's loan?

A I would say that they did not, although they -- at least one of them has something to do with what's going on in Little Rock right now.

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Q I'm sorry. You mean with respect to the trial going on in Little Rock?
A Mr. Tucker's loan.
Q But did that have anything to do with the Clintons' loan?
A No, it didn't. I said that previously, not that I'm aware of anyway.
Q Yes, ma'am. With respect to the letter you wrote to Mrs. Clinton on August 11, 1982, I think you testified that you didn't know that Hillary Rodham was married to Bill Clinton at the time you wrote the letter?
A Right.
Q And the sending of this type of letter is something you would have normally done with any borrower under these types of circumstances?
A Right.
Q So Mrs. Clinton or Hillary Rodham, as she was known at the time, didn't receive any special treatment from you, I take it?
A No.
Q And after you received the letter that she

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wrote back to you -- I'm sorry, that's the one dated August 11, 1982, DKRT 1400134 for the record, you basically followed the comments she made in the letter there. She suggest you talk to the McDougals who made the arrangements for the loan and if there needed to be an increase in the amount of the payments, that the McDougals would have to authorize it, so you went to talk to Jim McDougal?
A Well, I don't remember if Jim came to me or I went to him.
Q But you a conversation with Jim McDougal about the issue?
A Right.
Q And he said he would handle it and you didn't have anything to do with it after that point?
A No, I did not.
MR. IVEY: That does it for me. Thank you very much.
MR. BARTOLOMUCCI: Ms. Pockrus, I have a few follow-up questions.
EXAMINATION
BY MR. BARTOLOMUCCI:

Q After Mr. McDougal said he would take care of the loan, take care of the problem, did the loan continue to pop up as past due or as having matured? I guess my question is, did whatever internal flagging system the bank have continue to register on this loan?

A I really cannot remember. I don't know if it was still delinquent when the FDIC came in or not.

Q Now, you note in your letter of August 5 that you'd be receiving monthly payments of $285 and that the interest was accruing at a rate of $373 a month, so the payments being made didn't even cover the interest that was being generated?

A That's right.

Q What kind of action did you think it necessary to be taken on the loan -- what sort of arrangement were you thinking about in terms of bringing the loan back into line?

A Well, the minimum amount that should have been done could have been -- the minimum amount that could have been done to bring the loan back into line would be to sign an extension agreement and get the



monthly payments to at least paying the interest, although my personal feeling was that the loan should have been taken out of the bank all together.

Q Now, we have a record of -- we have a loan history of the loan. Again, you wrote your letter in August of '82. Our records reflect that in September of '82, the next month, there was a payment of almost $700, but then thereafter, the payments went back to $285. There was a payment in that amount in October and November, appears to have been no payment in December. Then there were two in January, one in February, one in March. With the exception of that $700 payment in September of '82, all the subsequent payments continued to be just $285.

Do you consider that to have been taking care of the loan?

A Well, probably what happened in September of '82 with the payment of $700 is they brought the interest current and issued an extension agreement. That's probably the amount of interest that accrued through the date of extension, in addition to the $285 that they were making every month. Paying $285

a month interest on the loan, I don't believe, was actually taking care of the loan.

Q So if you had still been managing the loan at that point, you would have wanted to see more done than the $285 a month?

A Right, and there were times that I discussed, not necessarily with this particular loan, but with some of the -- many of the loans in general, particularly those that were being criticized, that other things needed to be done to the loans that were being done, and yet I was being overruled by Mr. McDougal, and that's one of the reasons why I left in March, is because after nine months, it was obvious that business was not going to be taken care of in the manner it should have been taken care of, which was going to require some hard decisions.

Q Our records also reflect that from the time you wrote your letter in August of '82 through the time you left the bank, there were no payments made to principal.

A Right.

Q Would you have viewed that as a problem?



A Yes.

Q Can you elaborate on that?

A Well, the reason I would have viewed it as a problem in light of the August 11, 1982 letter is because if the loan was supposed to be paid out of sale to the Whitewater property, and the Whitewater property was selling, then there should have been some reduction on the principal of that because the bank was losing collateral as those sales were being made. So the loan amount should have been reduced at the same point in time.

And normally, when real estate loans are made, there's always some reduction in principal, in addition to interest reduction, and by September of '82, that particular $28,000 loan was already two years old or it lacked three months being two years old, and yet none of the principal had been reduced.

If you have a real estate loan that's secured by real estate that you're planning on selling pieces of property to pay the real estate off -- to pay that loan off, and you haven't sold any of that property in two years, then that also raises

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a red flag.
Q I thought it was your testimony that you were unaware of the Whitewater investment.
A This letter says "in my understanding, the loan has been paid out of the proceeds of the Whitewater Development Company." As I said, I was not aware -- you asked me why the loan -- why I would consider the loan's no reduction in principal payments unsatisfactory. I'm not saying that I was aware of the -- I said earlier, I'm not aware of any of the Whitewater transactions, which I am not. I was not aware that McDougal and Clinton were involved other than this letter says the proceeds are supposed to be paid out of the Whitewater Development.
Q And just for the record, that's Mrs. Clinton's letter to you?
A Right.
MR. IVEY: I was going to say I think that he asked you a hypothetical question. He posed facts to you. I don't think that you added additional facts to your testimony inconsistently with what you had said before.

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BY MR. BARTOLOMUCCI:
Q I agree with that. I was just trying to clarify whether, in fact, what you knew about the Whitewater Development Corporation.
A I don't know anything about the Whitewater Development Corporation, but the loan itself was secured by real estate. That we do know. And this letter indicates that the loan was supposed to be reduced by the sales of Whitewater property developed by the sales made by the Whitewater Development Company, and if after two years or if after 21 months there had been no reduction in that loan proceeds, then obviously, there were no sales or the sales money was not coming to the loan, which, in either case, raises as a red flag as a loan officer.
MR. BARTOLOMUCCI: We're going to pause for one second while the court reporter changes the tape.
(Pause.)
BY MR. BARTOLOMUCCI:
Q I just have a couple more questions for you. Your testimony was when you wrote to Hillary

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Rodham, you were unaware at the time that she was the former governor's wife. Do you remember when you did come to learn that? Was that at the time you received the letter or when you spoke to Mr. McDougal subsequent to the receipt of Mrs. Clinton's letter?

A I really don't remember when it was that I was informed as to who she actually was.

Q You don't remember having a conversation with Mr. McDougal about it or coming to learn of the fact through a conversation with him?

A No, I don't remember.

Q Do you know Marlon Jackson?

A I've heard of his name. And I believe we examined one of his banks when I was with the FDIC. I recognize his name, but that's about all.

Q So you would be unaware of any conversation Mr. Jackson had with Bill Clinton with respect to a Whitewater-related loan?

A That would be correct, I would be unaware.

MR. BARTOLOMUCCI: That's all I have. Glenn, do you have anything else?

MR. IVEY: Yes, let me ask a couple

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follow-up questions.

EXAMINATION

BY MR. IVEY:

Q With respect to taking care of it, the issue of taking care of the loan, I think you had mentioned that you said that your preference would have been for the bank to -- did you say get rid of the loan?

A I suppose you could use that term if you want to, but basically it would be for the loan to be paid out.

Q And I guess your testimony about the transfer of the loan was that you weren't clear about it, but I know Mr. Bartolomucci told you that the loan was transferred to Security Bank of Paragould, I believe, in 1983.

MR. BARTOLOMUCCI: Or part of it anyway.

BY MR. IVEY:

Q Would that be sort of the type of thing you were talking about, transferring it to another bank?

A That would be one option.

Q And with respect to the issue about the

absence of payment on the principal and the fact that the payments you were receiving of $285 was not meeting the rate of interest accrual of $373, you received a letter back from Mrs. Clinton. I guess the substance of the letter -- her understanding was that the loan was being paid out of the proceeds from sales by Whitewater Development Company. If there's a need to increase the payment, you should talk to the McDougals, and that's consistent with what you did, you went to talk to the McDougals after receiving that letter?

A Yes. There was some communication between Mr. McDougal and myself.

Q And if my recollection is correct, your testimony is you never spoke to Mrs. Clinton, or Ms. Rodham, directly with respect to this loan?

A I do not recall speaking to her directly.

Q So would it be fair to say that -- strike that.

MR. IVEY: I don't have anything further at this time.



(Whereupon, at 12:14 p.m., the deposition was concluded.)

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THERESA L. POCKRUS

CERTIFICATE OF NOTARY PUBLIC & REPORTER



I, JULIE BAKER , the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Julie Baker

Notary Public in and for the
District of Columbia

My Commission Expires SEPTEMBER 30, 1997

# DEPOSITION OF LINDA D. CHANDLER
# IN RE: S. RES. 120

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**SATURDAY, APRIL 27, 1996**

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER
DEVELOPMENT CORPORATION AND RELATED MATTERS,
*Washington, DC.*

Telephone deposition of LINDA D. CHANDLER, called for examination pursuant to notice of deposition, at 10:16 a.m. in the Hart Senate Office Building, before CARMEN BUNCH, a Notary Public within and for the District of Columbia, when were present:

MICHAEL P. O'CALLAGHAN, ESQ.
Majority Associate Special Counsel
MITCHELL FEUER, ESQ.
Minority Counsel
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Building
Washington, DC 20510
On behalf of the Committee.

RICHARD TURBEVILLE, ESQ.
Turbeville & Fowler
Little Rock, Arkansas
On behalf of the Deponent.

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PROCEEDINGS

MR. O'CALLAGHAN: Good morning, Ms. Chandler. My name is Michael O'Callaghan. I'm associate special counsel with the Special Committee. I'm an attorney for the Majority. And with me also is Mitchell Feuer, also an attorney, counsel to the Banking Committee.

MR. FEUER: Good morning, Ms. Chandler.

THE WITNESS: Good morning.

MR. O'CALLAGHAN: This is the telephone deposition conducted pursuant to Senate Resolution 120. The resolution establishes a Special Committee administered by the Banking Committee to conduct an investigation involving Whitewater Development Corporation, Madison Guaranty Savings & Loan Association, Capital Management Services, Inc., the Arkansas Development Finance Authority and other related matters.

This deposition is in advance of public hearings which will occur next week, and there's a possibility that you may be asked to testify at those hearings.

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We're going to ask you a series of questions today and ask you to testify under oath. Do you consent to being sworn in over the telephone?

THE WITNESS: Do I what?

MR. TURBEVILLE: Consent.

THE WITNESS: Yes.

MR. O'CALLAGHAN: If you don't understand a question, let either me or Mr. Feuer know and we'll be happy to rephrase them. And also, due to the fact we're doing this over the telephone, if you don't hear a question, please ask us to restate it.

THE WITNESS: Okay.

MR. O'CALLAGHAN: Also if you need a break at any time let us know and we'll be happy to accommodate you.

THE WITNESS: Thank you.

MR. O'CALLAGHAN: We have a stenographer here today who is preparing a record of questions and answers. The deposition will be treated as committee confidential until the commencement of the hearings. Prior to the hearings, if you are called to testify, you will be given an opportunity to review your

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deposition before the hearings, and also, if you wish to make any note of corrections for transcription, you may do that on an errata sheet and request a copy of the transcript, we'll be happy to provide it to you.

You may be represented by counsel. Are you represented by counsel today?

THE WITNESS: Yes, I am.

MR. O'CALLAGHAN: Counsel, could you please state your name and the name of your firm?

MR. TURBEVILLE: Richard Turbeville, T-u-r-b-e-v-i-l-l-e. My law firm is Turbeville & Fowler, F-o-w-l-e-r.

MR. O'CALLAGHAN: Objections to the form of questions will be noted for the record. Counsel may object on grounds of privilege or relevance, and the Committee Chairman may rule on objections where the witness refuses to answer a question.

Could you please swear the witness.

Whereupon,

LINDA D. CHANDLER

was called as a witness and, having first been duly

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sworn, was examined and testified as follows:

EXAMINATION

BY MR. O'CALLAGHAN:

Q Could you please state and spell your full name for the record.

A Linda D. Chandler, C-h-a-n-d-l-e-r.

Q Middle initial B or D?

A D, like in dog.

Q Have you spoken with anyone other than your counsel prior to the deposition with regard to the deposition?

A Yes.

Q Who have you spoken with?

A Not in detail. I told two members of my family that I was giving this deposition this morning. And I received a phone call from Mort Hardwicke, who used to be on the Arkansas Housing and Development Board when I was there, who just told me that he was subpoenaed to be, I think, there next week, and wanted to know if I had.

And I also received a phone call from George Wright, who basically said the same thing, but

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we didn't discuss anything except are you going to be there or have you been subpoenaed. And I said at that point in time I didn't know.

Q Did you have any substantive conversations about the work you did at AHDA or ADFA?

A None, no.

Q Have you spoken with anyone else?

A I'm sorry, I didn't hear that.

Q Have you spoken with anyone else about the deposition?

A Not about the deposition, but I did tell my boss, George Surgeon, when I thought I was going to be giving the deposition on Wednesday of last week. Then when we canceled it and changed it to today, I told him that's what we had done.

Q Anyone else?

A No.

Q Did you review any documents or do anything to prepare for the deposition today?

A No, I have no documents, none.

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Q Are you currently employed?

A Yes.

Q Where are you employed?

A Southern Development Bank Corporation in Arkadelphia, Arkansas.

Q What is your position there?

A I'm vice president of Southern Development Bank and president of Opportunity Lands Corporation, which is a subsidiary real estate development company.

Q How long have you been in that position?

A For eight years.

Q What did you do previous to that?

A I owned my own mortgage company.

Q What years did you own the mortgage company?

A From 1984 to 1988.

Q And what was the name of that company?

A Central Arkansas Mortgage.

Q And prior to that, were you employed?

A Yes.

Q And where were you employed?

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A I was manager of Lomas & Nettleton Mortgage Company from '83 to '84.
Q Could you restate the name of the company again?
A Lomas & Nettleton Mortgage Company.
Q How about prior to that?
A I worked for Arkansas Development Housing Agency from 1979, I believe like March of '79, to maybe June of '83. And I'm not really sure about the dates. '79 to '83 for sure but I'm not exactly sure when I left, or the month I left.
Q And what was your position there, or positions?
A When I started in 1979, I was loan underwriter, I reviewed the loans when they were submitted to us from the banks for review for purchase. I was promoted in 1980 to single family housing officer, which was more or less the administrator of that particular area, loan review.
In 1981, I was promoted to deputy director of housing, and in 1983, I was acting director for a few months and then executive director until I left

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in June.
Q You said that was for a few months?
A Actually from January until I left, and I believe it was either the end of May or sometime in June of '83.
Q During the time that you were -- I'm sorry, when did you become acting director?
A When did I become the executive director?
Q Or acting director.
A Acting director, I believe it was either December of '82 or January of '83. It was right after the November election where Bill Clinton became the governor again, and Bob Hammerschmidt, who had been appointed by the Republican governor from '81 to '82, left right after the election where Bill Clinton was reelected and I became acting director.
Q Was that a normal course of operation when a new administration came in?
A Yes, it is. It only happened once while I was there, but yeah, normally you have to have somebody in charge.
Q But usually the executive director leaves

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when a new administration comes in if it's a different party or whatever?
A That was my only experience with that but I would assume yes.
Q How did you become acting director?
A The board of directors asked me to assume that role.
Q And how about being named executive director, how did that come about?
A I'm sorry, I didn't hear the whole question.
Q How did you come to be named executive director?
A The board of directors accepted resumes from applicants for that position, and I submitted mine to the board.
Q Just so we're clear, that's for the executive director position?
A Yes, it was. I was interviewed by the board of directors, a committee of the board of directors, the same as the other applicants were.
Q And why did you leave the agency?

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A I was offered a position with Lomas & Nettleton Mortgage Company, which at the time was the largest mortgage company in the country, and the salary and benefits were better than with the state housing agency, and I felt it was a better career move.
Q They lured you away from state government, huh?
A That's right.
Q During your time at AHDA, were you familiar with the process, the bidding process that was used for selecting underwriters for the different bond offerings the agency did?
A Yes.
Q And did you have any role in that while you were there, in that process?
A The only role I had was presenting to the board of directors the bids that the agency had received.
Q And did you do that in your role as acting and executive director?
A Yes, I did.

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Q Before you became acting director, did you have any role in the process for selecting underwriters?
A I was probably present at meetings where the bids were reviewed.
Q And who reviewed the bids?
A Our finance department.
Q How many different people were employed to make a review of the bids?
A Oh, it probably was just two, probably the deputy director of finance and her assistant.
Q What was the name of the deputy director of finance while you were there?
A Vivian Pugh, P-u-g-h.
Q And you said you believe you attended some of the meetings where the bids were reviewed?
A Yeah, I'm sure that I saw the bids prior to the board meeting, yes, and I'm sure we probably had a committee -- we didn't make recommendations. We presented the bids that had come in.
Q You did not make recommendations?
A No, we more or less calculated the cost,

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you know, the basis points that the different underwriters proposed to do the bond issue for, and presented that information to the board.
Q So you basically presented the board members with a rundown of the numbers of the different proposals?
A That's right.
Q Now, with regard to the proposals you received, did you receive proposals from both lead underwriters and co-managing underwriters?
A Yes, we did.
Q How did they differ generally, if you can give me an idea, or did they?
A Well, they generally knew that they were not submitting bids for the lead underwriter if they were local underwriters.
Q Yes.
A But as far as the bids -- the bids were the same. As far as the requests for bids, they were the same, as I recall.
Q So the letters that went out were the same?
A Yes, to my knowledge. I mean, as you know,

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it's been 13, 15 years ago.
Q Yes.
A But I think that's correct. I think we submitted the same proposal out to all the underwriters. But you do need to know that I didn't actually perform that myself as executive director or acting director. The finance division would send out the proposal requests.
Q Okay. With regard to the reviews that were conducted of the co-managing underwriter proposals, were those also rundowns of numbers or do you --
A Yes.
Q Do you recall what criteria were used for selecting the co-managing underwriting teams?
A I really don't. I do not. I think there were like three different categories where they would bid certain basis points, and one in particular would include, you know, the sale of bonds; each of the local underwriters would receive certain amounts of tax and housing bonds to sell, so one category was that, but I really don't recall what the other categories were.

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Q But you recall there were three different categories?
A I think there were. There were more than one. It wasn't just a bid that said we'll, you know, do this bond issue for 50 basis points, okay. It was split down in some categories, but I really don't know how many, I don't remember.
Q While you were there, was there ever a change in the process for the -- with regard to the process with the request for bids that were sent out for the agency?
A Not that I'm aware of.
Q How were the underwriters chosen to participate in the bond offerings done by the agency?
A How were they chosen?
Q Yes, ma'am.
A Well, as I said, the staff would present the bids to the board of directors, and the board of directors would vote on those bids. As I recall, in some cases, I know it was the lowest bid. I don't know if that's the situation in all of the bids. I'm sure it had something to do with experience too at

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some point.
Q The experience of the firms?
A Well, the experience that the firms had, maybe, in this type of financing.
Q In performing underwriting?
A Right. Or ability to sell bonds locally or something like that. You know, one of the key criteria is you want to be able to sell all the bonds that you issue.
Q Was there a premium put on selling bonds within the state of Arkansas?
A Not that I recall. I don't know.
Q The reason I ask, you just said -- you referenced an ability to sell bonds locally.
A Well, I think that that was probably discussed, because the underwriters -- I mean one of the situations is if we sell a $100 million bond issue, we wanted to be able to sell all of those bonds after we sell the tax exempt housing stuff. So I'm sure one of the things that was discussed is their ability to sell these bonds.
Q Did the staff or anyone on the board ever

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conduct due diligence type of reviews of the underwriting firms that were being considered?
A I'm sure the finance department did. I would not have been involved in that.
Q And again while you were there, Vivian Pugh was the head of that?
A Director of finance.
Q Are you familiar with what type of review they conducted?
A No.
Q Do you know whether they looked at the net capital levels of the firms that were participating in the bidding processes?
A You know, I would assume that they would but I don't know that for a fact since I did not handle the review.
Q With regard to the rundown of numbers that you presented to the board of directors with regard to the different bids, did those include accounting for the net capital levels of the different firms that were submitting bids?
A Not that I recall.

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Q What type of information was contained in the information you provided to the board?
A The key information was what it was going to cost the Arkansas Housing Development Agency to issue this bond issue, so that the main thing that I recall is that would be the basis points that they were going to charge to administer this program and to sell the bonds.
We wanted to make available as much of the -- if it was a $100 million tax exempt housing bond issue, we wanted to make as much of that money available to low-income homeowners as possible, so the cost of making this bond issue available was a key. That's what we looked for.
Q Well, you said generally underwriters were chosen on the basis of their submitting the lowest bid; is that right?
A I know that's one of the ways that we chose the underwriters. I know that was very important.
Q Do you have a recollection of any instances when a firm was chosen that hadn't put a lowest bid in that drew your attention?

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A No.
Q During the time that you were acting as executive director, do you recall how many issues were done by the agency?
A During that six-month period of time?
Q Yes, ma'am.
A Is that what you're asking?
Q Yes.
A I think just one. We -- let me go back. You would have to jog my memory with documents, and I know they are available, but I don't have them. I know we did a single family housing bond issue.
We may have also sold a multifamily housing bond issue that same year before I left. I really can't recall whether we actually sold it or whether it was -- we were working on it at the time, but I think in 1983 we did have a multifamily and a single family housing bond issue.
Q And were requests for proposals sent out for those issues?
A Yes. And I could be wrong about my dates, because as I said, I was deputy director in '82 also,

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so it may have been -- the multifamily may have been in '82 rather than '83.

Q I've got a copy of some board minutes which I will read to you, and that might help you remember. I've got before me copies of minutes from the Arkansas Housing Development Agency executive board meeting dated March 16, 1983. And in the second paragraph of the first page it lists the people who were present, and it says executive board members present were Charles Stout, Mort Hardwicke, Mahlon Martin and George Wright. Agency staff present were Linda Trent, acting director; Vivian Pugh, deputy director; Bill Wilson, fiscal officer; Bernard Henry, multifamily housing officer; Susan Young, single family housing officer; Gary Arrington, management representative; Randal Jones, planning specialist; and Charlotte Sisson, purchasing agent.

Then going to the third page of the minutes for that day, two-thirds of the way down the page, second paragraph up from the bottom reads "Ms. Trent informed the members that multifamily 19 projects are coming along on schedule as reflected in the board

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booklet. She then asked Mr. Bernard Henry for comments. Mr. Henry stated two projects have been completed, Greenbrier and Leverett Gardens II. Mr. Stout stated HDA has received eight proposals on the proposed multifamily bond issue, that sometime within the next few days a multifamily subcommittee meeting will be scheduled to review these proposals and recommend to the full board their decisions on underwriters for this program."

Did you go by the name of Linda Trent in March of 1983?

A Yes. I was Linda Trent until '84 which is the year after I left. Every document that you have will be Linda Trent.

Q I just want to make sure it's clear for the record. I just read you a quick -- small portion from the March 16, 1983 minutes where there's a reference to HDA receiving eight proposals on a proposed multifamily bond issue.

A Right.

Q Do you recall that happening?

A Yes, I do, but I will tell you, I don't

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recall the meeting where we chose the underwriter or any of that stuff, but the early part of the reading that you gave was referring to projects that we had construction lending for through local banks, and the bond issue was to provide permanent financing for these multifamily housing apartments.

So yes, I recall that but I don't recall -- I mean this is 13 years ago, but I don't recall the underwriters right now. It may come to me in a few minutes.

Q Okay. I'm going to move on to another set of board minutes. This is actually a subcommittee meeting. The Arkansas Housing Development Agency, subcommittee meeting, April 1, 1983. And listed on the front page there as part of the AHDA staff present were Linda D. Trent, acting executive director, and Bill Wilson, fiscal officer.

A Yes.

Q And then on the second page, on the third paragraph it reads "the members discussed at length the qualities they were looking for in the underwriters who were selected for the 1983 proposed

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multifamily program. Ms. Trent stated that all the underwriters requested a chance to give oral presentations before the board makes a decision. Mr. Williams suggested that the underwriters should be willing to give this project their full attention and do a good job for us. It was finally determined it would be in the interest of AHDA to invite each of the proposed underwriters to deliver a 15- to 20-minute presentation before the subcommittee, starting at 9:30 a.m., Tuesday, April 12. And the subcommittee will make recommendation to the full board that same afternoon at the 3:00 meeting."

Do you recall that occurring?

A Yes, I do.

Q And was that unusual for a suggestion to be made to have competing underwriters to come in and make oral presentations to the subcommittee?

A No, that was not unusual at all. We had underwriters make oral presentations even to the full board in certain occasions, so that's not unusual at all. Especially if the issue was complicated in any way, and the board members obviously, they're not

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versed in this type of work, then they would request that a representative from the underwriting firm come in and kind of walk them through the proposal so they would be able to compare apples to apples rather than not really knowing.

So that was not unusual at all.

Q I'm going to move on now in time to the -- to an April 12 executive board meeting from 1983. And again, listed in the front page for AHDA staff being present, your name is listed as Linda D. Trent, acting executive director. I'll also note your signature also appears at the end of the minutes on the last page.

And on the fourth page of the minutes for this meeting, the second to last paragraph reads "Chairman Stout stated that the multifamily subcommittee heard oral presentations from the underwriters earlier in the day and were prepared to make recommendations to the full board this afternoon. He asked Vice Chairman Hardwicke for the subcommittee's recommendation. Vice Chairman Hardwicke informed the board that all the proposals

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were good and after listening to eight proposals and considering each carefully, the subcommittee would like to recommend to the board that Merrill Lynch be the lead underwriter with Stephens, Inc. and T.J. Raney & Sons, Inc. as locals.

"The board also recommended that the Rose Law Firm be selected as bond counsel. After motions were made and seconded the board unanimously approved the underwriters and bond counsel recommended by the subcommittee."

Do you recall being at the meeting where Merrill Lynch, Stephens, and T.J. Raney were chosen to do that multifamily issuance?

A Yes, I do.

Q Those are three, I guess, of the eight firms that competed for that -- or put in proposals and gave oral presentations for that offering. Do you recall any of the other five firms that competed for that business?

A Yeah, I'm pretty sure that E.F. Hutton would have presented a proposal. I think probably George K. Baum, which is Dabbs Sullivan, Inc. here in

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town, I think Collins, Locke & Lasater also presented a proposal, local with T.J. Raney and Stephens, Inc. And I believe there was at least one other -- well, the other local would have been Dabbs Sullivan.

Q Didn't you already mention them on the George K. Baum?

A Yeah, I mentioned them as lead. I think they were actually as a local. And it seems like in this particular issue Prudential may have presented a proposal also. Again, my memory is going to be not really good. But the previous issue, single family and multifamily from '79 to '83, it was about the same ones that would submit proposals. For instance, E.F. Hutton and Merrill Lynch had been involved before in bond issues with AHDA, as well as Stephens, Inc. and T.J. Raney.

Q Had Collins, Locke & Lasater been involved before?

A No.

Q Was this the first issue that they competed to perform services for?

A I think it was.

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Q Did you get a chance to look at their proposal for the issuance?

A I'm sure that I did, but I don't recall it. I mean I would have to see a document before I would recall anything. You know, I don't have that good of memory about details even that happened six months ago. So I'm sure that I saw all the proposals but I sure couldn't tell you anything about any of them.

Q Do you recall whether any of the proposals you saw were -- they were better than some of the others or worse than the others?

A Michael, as I said, I don't recall that many years ago about one particular bond issue, you know. I know the bond issues we did, I believe all the underwriters were good, but I really could not recall details of any of the proposals on any issue, not even this one.

As you asked me earlier, I'm cold turkey here. I haven't seen any of this stuff for 13 years since I left there, so to ask me specific questions without something in front of me to look at, I

wouldn't have a clue.
Q Where I can, I'm going to try to help you, but unfortunately, we don't have a lot of the documentation also.
A Okay. I understand. But I wanted you to know that I didn't take anything with me when I left the agency, so I don't have copies of minutes or bids or any of that stuff. I haven't looked at any of this stuff since I left.
Q I'm going to refer you now to an April 19 special executive board meeting. And again, in the first page where it lists the staff present, it says Linda D. Trent, acting executive director, and Midge Pugh, deputy director.
Specifically on the third page of the minutes for this meeting, it reads "upon Mr. Hardwicke's request for further business, Mr. Wright made a motion that Collins, Locke & Lasater be added to the underwriting team for the agency's proposed 1983 multifamily issue in order to spread it around and include more local Arkansas underwriters on this issue. Mr. Edwards seconded the



motion and the board approved the same."
Do you recall that happening?
A Yes, I do.
Q Do you recall what the circumstances were surrounding that motion?
A I was not involved in any discussions concerning putting Collins, Locke & Lasater on the account between April 12 and April 18. The first I knew of it as acting director was at this board meeting, so it came as a surprise to me, so I can't give you any information on what prompted this happening.
Q And I --
A I didn't know anything about it until the meeting was called and this motion was made.
Q And you mentioned that you were surprised. Why were you surprised?
A To have a special board meeting and add another underwriter to an issue when that decision had been made on the April 12 meeting.
Q So that was -- would you say that was an unusual occurrence?

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A It had not occurred while I was in that position.
Q Did you have concerns about the appropriateness of the motion and the passage of it?
A I had questions as to what prompted it, but I don't have any information on that.
Q Did you make any inquiries to anyone?
A I'm sure I did.
Q Do you recall who you directed those inquiries to?
A Michael, I really don't. I mean I know that it was a question in my mind, but it was board business, I was a staff person, I was not included in the meetings prior to this decision. I don't recall that I ever got any information on it.
Q Are you aware whether there was a meeting of the board between April 12 and April 19 with regard to this issue?
A I don't think I recall any. I don't recall any now, so I'm going to answer no, I don't think I knew of any taking place. I know I wasn't included in any.

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Q So if there was a discussion of including Collins, Locke & Lasater as an underwriter between April 12 and April 19, it would have been during an unofficial meeting or discussion?
MR. FEUER: I think that there's --
MR. O'CALLAGHAN: That's a question.
MR. FEUER: Yes, but I think there's an assumption in the question that all the members of the board got together and discussed something at something other than a regular board meeting. It's possible -- it's equally possible that one member discussed it with only other member. It's also possible that none of the members of the board discussed it.
THE WITNESS: That's true.
BY MR. O'CALLAGHAN:
Q And you said you didn't have knowledge of any meeting in between?
A I don't recall. Now, as I said, we kept 15 copies of everything we ever did at Arkansas Housing, so I'm sure if you looked close enough, you could determine whether there was meetings between April 12

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and April 19, but 13 years later, I don't recall knowing of any.

Q Did the agency keep copies of the bid proposals that came in?

A Yes, I think we did. I know we did for a period of time, anyway. I would assume we probably still have copies of those up there somewhere.

Q Was there any discussion during the April 19 meeting about the inclusion of Collins, Locke & Lasater?

A At the April 18 meeting?

Q 19. That's the minutes I just read to you where George Wright made a motion that they be added to the underwriting team for the 1983 multifamily issue.

A And you're asking me if there was any discussion at that meeting concerning adding them?

Q Other than the motion made by Mr. Wright, was there any discussion about their inclusion?

A I don't remember, Michael. I mean I don't remember.

Q And --

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A I remember that incident happening, but I don't remember whether there was discussion afterwards or not.

Q Was this an occurrence that you would have characterized as something being highly irregular?

A I don't know that being an acting director and executive director for six months gives me the -- you know, I don't know if that would be considered irregular or not. I mean it was the only time that it happened while I was in that capacity.

Q Well --

A I don't have a lot -- I couldn't go back and say, you know, we had 15 issues where this hadn't happened on and I was in this capacity, so I don't know.

Q During the time that you were single family housing officer and deputy director of housing, did you attend board meetings?

A Yes.

Q Did that happen any time during those board meetings that you recall, where an underwriter was added after the team had been already chosen?

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A Not that I recall, Michael. It could have happened, though, but I don't recall it happening at this point in time.
Q Do you recall whether there were any complaints raised in the financial community with regard to the inclusion of Collins, Locke & Lasater on this issue?
A What do you mean by "financial community"?
Q Well, specifically did any of the underwriters that had originally been chosen during the normal process raise any concerns?
A Yes.
Q Do you recall who raised the concerns and what they were?
A Yes.
Q And who was that and what were their concerns?
A It was Charlie Crow from Stephens.
Q And did you have any discussions with Mr. Crow?
A Yes, I did.
Q Did he approach you first or --

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A He approached me.
Q Was it a face-to-face conversation or was it via telephone?
A Face to face.
Q Where did that occur?
A In my office at Arkansas Housing Development Agency.
Q And how soon after the inclusion of Collins, Locke & Lasater did it approximately occur? I know it's a long time ago.
A You know, Michael, I don't know. I'm just going to tell you that I assume it was probably within the next week or so, but I don't really remember the date of this meeting. It was after Collins, Locke & Lasater was put on the account, but I honestly don't remember how long after April 19 it was when he came to my office.
Q Before I ask you about that conversation, I just want to quickly go back to the April 19 meeting.
A Yes.
Q Minutes reflect that there was a

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representative there, Ms. Johnnie Holcomb of Stephens, Inc.?
A Yes.
Q Do you know whether Ms. Holcomb raised any concerns at the meeting with regard to the inclusion of Collins, Locke & Lasater?
A I don't recall, Michael, whether she did or not. I do know that Johnnie was there.
Q Getting back to the visit by Mr. Crow from Stephens to your office at AHDA, if you could describe to me what the subject of the conversation was.
A He represented to me that Stephens, Inc. did not feel that Collins, Locke & Lasater should not be on the account with them. They didn't want to do business with them, they didn't want to be a partner with them on an issue. And he suggested that I talk to the board and convince them to take Collins, Locke & Lasater off of the account or Stephens, Inc. would resign.
Q Did he state his reasons for not wanting to do business with them or be included with them?

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A I don't recall his exact words, okay, but I know that the indication to me was he didn't feel that they were on the same level of underwriting firms, that they were a little unscrupulous and they -- Stephens felt they didn't want to be a partner with them on any issue.
Q I know this was a long time ago but did he give you any indication of reasons he thought they were unscrupulous?
A I don't really recall, I really don't. I didn't know one thing about Collins, Locke & Lasater at that point in time. I didn't know any of them, and I didn't -- I don't even know if I knew Collins, Locke & Lasater existed. I'm sure I probably did because Little Rock is a small city, but the information he was giving me didn't stick really because I didn't know them.
Q Do you recall whether he pointed out that they hadn't participated in any bond offerings with the agency previously?
A I don't recall that, Michael. He may have but I don't recall.

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Q So what did you do after Mr. Crow came to your office and voiced these concerns about Collins, Locke & Lasater not being on the same level and being unscrupulous?
A I called Charlie Stout and told him about the conversation.
Q And who was Charlie Stout?
A He was the chairman of Arkansas Housing Development Agency at the time, chairman of the board.
Q What did Mr. Stout say?
A He said he would handle it.
Q And did you relate to him the concerns that Mr. Crow had expressed to you?
A I did.
Q What was his reaction?
A His reaction was that he would take care of it. He didn't give me any information other than that. I took it that they didn't want me involved in it, which was fine, I didn't want to be involved in it, and that it would be handled at the board level. I was not involved at any time after that either.

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Q Was this pretty unusual for another firm to come in and refuse to participate with another firm on an underwriting?
A It never happened while I was there.
Q Have you heard it happen since?
A Not that I'm aware of, but I left within the next 60 days, I think, from Arkansas Housing, so I don't know if it's happened since or not.
Q Do you know if it happened any time before that?
A No, not that I recall. But I do have to keep in mind that I was acting executive director for only six months, so I may not have been included in anything before.
Q Other than your attendance at board meetings; correct?
A That's correct.
Q After you told Mr. Stout about Mr. Crow's concerns and he told you he would take care of it, what did he do after that?
A I have no idea. The next thing I know -- and I don't even know, Michael, if this happened

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while I was still there or not. I do know that Stephens resigned from the account. I received a letter that was -- I don't remember what was in the letter, but I know that it was very short. I don't think it was explicit in any way. It just resigned Stephens, Inc. from that bond issue.

Q So do you know if Mr. -- do you know if the full board was ever approached with Mr. Crow's concerns about Collins, Locke & Lasater?

A I don't know.

Q During your conversation with Mr. Crow, did he express his concerns about the inclusion of Collins, Locke & Lasater after the procedures for proposals and presentations had been made and a group had been chosen?

A I'm sure he did.

Q Do you remember what you said to him in response to that?

A No. I know I would have told the truth. I know I would have told him that I was not aware of it if that happened, because I wasn't.

Q Did he -- do you recall if he was

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particularly upset about that aspect of the situation?

A Do I recall if Charlie was upset about it?

Q Yes, ma'am.

A As I recall, Michael, he was more upset that he didn't want to do business with Collins, Locke & Lasater. That's what I recall. Now, again, it's been a long time ago, but I recall that he seemed to be more upset that he didn't want to work with them than anything else.

Q To your knowledge, did any of the other firms express any concern about the last minute inclusion of Collins, Locke & Lasater?

A Not to me.

Q Do you know if they made them to anyone else?

A I don't know.

Q During the time that you were with the agency, did you have any contact with anyone from Collins, Locke & Lasater?

A Yes.

Q And who did you have contact with?

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A Michael Drake was the contact person for Collins, Locke & Lasater. I think he started coming to the board meetings maybe a few months before this proposal, the bid for the proposal, and he was the contact person after they were put on the account.

And I'm not sure of my memory about this, so this may be something I have to correct later. Patsy Thomasson also came to some of the later board meetings with Michael Drake, but I don't know if she worked for Collins, Locke & Lasater or not. I don't know if she was representing them or if she was just coming to the open board meeting, because all of our board meetings were open to the public. So I don't know in what capacity she came, but it may have been that she was working for Collins, Locke & Lasater at the time. But you'd have to check that out. I don't know that for sure, but Michael Drake was the contact person for Collins, Locke & Lasater.

Q Did you have any discussions with him with regard to the multifamily issue that we discussed?

A You mean as far as putting them on the account or any of that?

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Q Yes, ma'am.

A No. It was purely business. Whatever was related to the issue that I was working on is the only thing I ever discussed with Michael Drake.

Q How about with Patsy Thomasson?

A Same. I don't even recall having a conversation with Patsy Thomasson except maybe other than before or during the board meeting.

Q Did you ever have any discussions with Mr. Drake about the structure of their underwriting department?

A No, I didn't. I want to explain something.

Q Sure.

A That we didn't really work very much with the local underwriters on the issues. We worked with the lead underwriter, okay. So I would see the representatives from like Stephens, Inc. and T.J. Raney and Collins, Locke & Lasater at board meetings, because they all attended, but as far as working on the issues themselves, it was not often that I would work with one of the local underwriters. I would either work with our bond counsel, which was local,

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or our lead underwriters out of New York, which in this case was Merrill Lynch.

Q Did you know anyone else who was associated with Collins, Locke & Lasater?

A No.

Q Did you know a Dan Lasater?

A No. I've never met him.

Q During the time of your acting as executive director, did you have any interaction with anyone in the governor's office?

A Yes.

Q Who did you have interaction with in the governor's office?

A Not a lot, but Bob Nash.

Q What was his role at this time?

A I think he was adviser, economic development adviser for Bill Clinton. And my conversations with him were something like if someone called the governor's office asking questions about the low income housing bond issue, which was a statewide issue, he would refer them to me.

So there were occasions that he might call

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me and say such-and-such bank would like to be involved in the next bond issue, will you make sure that they get -- that they are aware of the next request for funds.

And if they had not done business with the Arkansas Housing Development Agency before, we would put them on the list so that the next time we had an issue, you know, we would send them a proposal.

Q And when you were referring to banks, is that investment banks or regular banks?

A No, no, that's just regular banks. We made available -- before we ever did a bond issue, we would submit a letter to all the banks in Arkansas asking if they wanted to participate in this program. We did not make any direct loans when I was at Arkansas Housing. Every loan we made was made through banks, and then we purchased the closed loan after the bank had processed and closed the loan according to the guidelines for that particular bond program.

Q And did that include savings and loans as well?

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A Yes, it did.
Q Did Mr. Nash ever contact you with regard to Madison Guaranty Savings & Loan?
A No, he didn't.
Q Did you ever have any conversations with Mr. Nash about Collins, Locke & Lasater?
A I don't recall that I ever did.
Q Do you recall whether you had any conversations with him about any specific underwriters?
A No, I didn't. I'm sure that I didn't. That was not the relationship that I had with Bob Nash. It was more of a referral basis. If there were questions that came to the governor's office that related to the state finance agency, then he would either have them call me or he would call and say would you give this person a call.
Q Do you have any knowledge of whether Mr. Nash talked to anyone associated with AHDA while you were there about underwriting firms?
A I have no knowledge that that ever happened.

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Q How about after you left?
A I don't have a clue what happened after I left. I was too busy pursuing my career. I was gone. You know, I was not working for the state anymore.
Q Other than Mr. Nash, did you have contact with anyone else in the governor's office?
A Let me ask you something, Michael. When you say "contact," I mean are you meaning business contact or just saying hi to somebody in the hall, or what do you want to know?
Q Well, just generally to set up the background I would like to know about any contact, and then I can ask you specifically.
A No. I knew Maurice Smith.
Q How did you know him?
A He's from Birdeye, Arkansas which is only five miles from where I grew up, but I don't know him personally. I knew his name, and I met him at the governor's office one day, but that's the only contact I ever had with him.
Q Did you have contact with the governor

during the time you were there?
A Not often.
Q How many times would you say you had contact or communications with the governor?
A Okay. That's a two-part question. I would see the governor quite often at seminars where he was speaking, you know, that kind of stuff. I mean this is a small state, and I was working for a state agency, so we were always going to HUD seminars. I was involved in the Mortgage Bankers of Arkansas, and everybody would always ask the governor to speak at these things, okay? So I was always seeing him at functions such as this, but it was only a handshake and how are you.

There was only one incident where I had really any substantial involvement with the governor's office or the governor, and that was during the time -- and I think it was 1980- -- it might have been '83, it might have been early '83 but it was probably '82 when we were concerned that the legislature was going to put an end to the tax exempt housing bonds, and I think the governor flew to



Washington to testify in front of Congress concerning not ending the sale of tax exempt housing bonds because state agencies needed it.

And Charlie Stout, the chairman at the time, and myself flew to Washington with him. And the sole purpose of me being along was to inform him of all the legislation and all the stuff that was going on about the tax exempt housing bonds, and how many low-income families we had helped through these programs over the past five years, that type of stuff.

Q Did the governor have any role in your becoming executive director of the agency?
A You know, I don't know for sure but I would assume that he did. I was aware, as in probably every state, when you're an executive director of a state agency, even though I don't think the governor made the decision on who the executive director was going to be, I think the board of directors out of courtesy would make the governor's office aware of who they were going to choose, okay, as the new executive director. And I knew that would happen,

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although I don't think he made the decision.
I did call Bob Nash and asked to arrange a meeting with the governor and I so that I could tell him that I wanted this position. It's the first time I had ever had any conversation with Bill Clinton, and I maybe was at his office for 30 minutes. And I told him that I was not political, that I had been with the agency since its inception in 1978 or '79 since our first bond issue, and that I had served as deputy director for a couple of years and more or less run most of the programs, multifamily and single family housing. And I told him I felt that I was more qualified than anyone else for that position and I wanted his support.
He did not tell me -- I told him I wanted to run the agency as a business, and that was it. He shook my hand and said he appreciated me coming over. I didn't have any indication from him whether he would support me or not in this role, but a couple of weeks later, the board of directors did promote me to executive director of Arkansas Housing, but I do think it was the board of directors' decision. They

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interviewed me first, and I felt that they probably were playing in my favor because of my experience with the agency.
Q Now, at any time during your tenure at AHDA, did you have any conversations with the governor about different underwriting firms in the state?
A No.
Q I have a document here, I'll read the first part first. It's two pages, one page is a letter and the other page is a copy of the envelope it came in. It's dated March 31, 1983. It's on Collins, Locke & Lasater letterhead, and it's addressed to "the Honorable Bill Clinton" and signed "David A. Collins." It reads "Dear Governor Clinton, I'm writing to express Collins, Locke & Lasater's enthusiastic support of the appointment of Ms. Linda Trent to the position of executive director of the Arkansas Housing Development Agency."
Were you aware or are you aware whether David Collins of Collins, Locke & Lasater ever wrote a recommendation for you for your appointment as

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executive director?
A No, I wasn't.
Q Do you know who David --
A I don't know David Collins. I've never met him. The only person I ever knew from Collins, Locke & Lasater was Michael Drake. However, I'm sure -- I know that, keep in mind, the state agency dealt with over 100 banks in the whole state of Arkansas, and I know that a lot of the banks -- I don't know about Collins, Locke & Lasater, or underwriting firms.

I know that there were a lot of letters that went from the bank that I had worked with in previous single family housing programs who wrote letters to the governor's office and to the board of directors, supporting me because they felt that I could do a good job. And they knew I knew the program, you know, because I had worked with them for all these years.

I was never aware of a letter that came from Collins, Locke & Lasater to anybody.

Q Do you know any reason why they would write a letter recommending you as the executive director?

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A No, I do not.
Q While you were at the agency, was the exertion of influence to choose one underwriter over the other ever exerted by the governor's office that you know of?
A No, not that I'm aware of. Never to me.
Q And you never heard about that happening with the board?
A No.
Q Was there any talk of that after the April 19 inclusion of Collins, Locke & Lasater as one of the underwriters?
A No, I don't know. I'd like to say that it makes sense there would be but I don't recall any. You know, I know there was a lot of little discussions going on concerning it, but you know, if you've ever worked for a state agency before, there's a lot of gossip that goes on and you just, you know, can't do business listening to all of it.

So I don't know. I don't remember being involved in any discussions about that kind of stuff.
Q Do you remember if that was a concern of

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yours when that happened, when they were tacked onto the underwriting group?
A Well, as I said before, I don't know if "concern" is the right word. You know, I didn't know why we included them at a later date. I do think we had their bid, but the inclusion was after we had already chosen underwriters. And I had a question concerning that obviously in my mind, because during my short time there, it hadn't happened before.
Q I'm just curious as to whether you formed any conclusions or thought about different scenarios of how they would have been added on after the group had already been chosen.
A Nah. Unless I know something for a fact -- you know, I can dream up anything, so can you. I don't know.
Q You've testified that you spoke with Bob Nash and you told us the circumstances of your conversations with Mr. Nash, and you also said that -- told us about a conversation you had with the governor. Did you have any contact with anyone else

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at the governor's office?
A Not that I can remember, Michael. Are you referring to the governor's office when Bill Clinton was governor or just any time?
Q We're referring to 1983 on.
A Okay.
Q After Collins, Locke & Lasater was added to the underwriting team during the April 19 special executive meeting and after -- actually at any time after that, was there any additional review done of the firm that you're aware of?
A Not that I'm aware of.
Q I've got a letter here from Stephens, Inc. dated April 28, 1983 addressed to Mr. Charles Stout, and it's signed Gene Wilburn. There's actually a cc on it to you and to Bill Clinton.
A Yes.
Q Actually I'll read you the first paragraph and then go to the fourth one. "Dear Chairman Stout, it is with regret that I must inform you that Stephens, Inc. is withdrawing from the multifamily housing issue for which we were recently selected as

co-manager along with Merrill Lynch, Pierce, Fenner & Smith and T.J. Raney & Sons."

Actually the third paragraph reads "It has been our belief that the chief reasons for the splendid success which has been enjoyed by the agency's bond offerings in the marketplace have been one, conservatively structured programs, two, competent professional staff, three, a strong independent board of directors which functioned without outside interference by political or other interests. As a result of these factors, the issues of the agency have always been favorably received at better than market rates. The bonds continue to trade extremely well on the secondary market because of a perceived agency stability."

Then it goes on, "A guiding principle of the agency from its inception has been the requirement that professional firms, including bond counsel and underwriters, be selected on the basis of merit through written and oral presentations. With the exception of the most recent single family issue, the agency has seen fit to select only those



underwriters with the most superior combination of credentials which would benefit the agency, namely sufficient capital to underwrite, strong sales capability, in-house technical expertise and the ability to continue to make a mark in the secondary market. With this understanding, Stephens, Inc. responded.

"We are very pleased at becoming co-manager and are looking forward to beginning work immediately. In the meantime, the board decided without discussion to add to the underwriting group a firm which did not submit a proposal under the agency proposal procedures, which invited individual firm proposals.

"Although it is certainly the agency's privilege to appoint any firm, we would invite you to investigate more carefully whether the added company meets the standards of capital, experience, sales capability, staff service and market support which have been the preference of the board in all previous issues. We are concerned that such actions may be an indication of an erosion of the independence of the

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board of directors which, publicly perceived, can only be received adversely in the market.

"It is therefore with reluctance that we withdraw from this issue. We are hopeful this action will not preclude us from participating in future offers of the Arkansas Housing Development Agency, assuming the selection is made on merit and experience."

Do you recall receiving a copy of that letter?

A Yes, I do, and that letter in fact was delivered to me, I think, I don't know that it was mailed, and it was just a couple of days after my meeting with Charlie Crow that I spoke of.

Q Were these the similar concerns that Mr. Crow brought up during your meeting with him?

A Yes.

Q And to your knowledge, is this letter addressed to the inclusion of the Lasater firm in the April 19 meeting?

A I'm sorry, repeat that.

Q Sure. Is this letter referring to the

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inclusion of the Lasater -- Collins, Locke & Lasater firm being included in the April 19 letter as far as you know?

A As far as I know, it was.

Q Did you have any conversations about this letter with anyone?

A You know, Michael, you would think that I would but I don't recall it. I'm sure I probably shared it with, you know, the board, but I don't recall any specific conversations. I mean I knew after Charlie left my office Stephens was going to resign from the account. He told me that. And I knew that he was going to submit a resignation letter, or someone was.

Q Why did you know they were going to leave?

A He told me. That's the purpose of him coming over to the office to talk to me.

Q Was there any discussion about the ability to remove Collins, Locke & Lasater from the underwriting group?

A Well, the only discussion was what I told you earlier, is that he asked me to talk to the board

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and persuade them to take Collins, Locke & Lasater off the account.

Q And what did you do? You referred it to Mr. Stout?

A Yes, I did.

Q Do you know if he ever talked to the board about it?

A I don't know.

Q Did you have any reason to believe that Collins, Locke & Lasater wouldn't be pulled from the deal?

A I think my personal opinion at the time was it wasn't even appropriate that Stephens come and ask me to do that. I mean you can't allow an underwriting firm, in my opinion, to control who they are going to work with on a state agency, or Stephens would be in a position to tell us what to do any time we had an issue.

So they submitted a proposal. Our board of directors made the decision to include Stephens as an underwriter. It was up to them to determine whether they wanted to do that or not. So it was perfectly

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up to them to determine whether to resign from the account.

But I still think it's inappropriate for any underwriting firm to come to a state agency and try and persuade them to fire somebody else that the board of directors had hired. I mean then -- I mean, you know, that's not appropriate.

And I think I shared those concerns about that particular aspect with Charlie Crow. That's not to say that I wanted to include Collins or didn't want to include them. I mean it's just to say that I don't think that's appropriate behavior either.

Q Did they --

A But that was a board of directors decision, not an executive director's decision, on either call.

Q Did you think he had legitimate concerns about the later inclusion of the Collins, Locke & Lasater firm? Did he have a reason to be upset?

A Do I?

Q Yes.

A You know, I'll be honest with you, Michael, I did question it, and I still don't know why it was

done, so you know, I can't give you any information on that. The board of directors made the decision, and I was not included in that decision.

I don't think "upset" is the word to use. It had not happened since I had been at the agency, so I didn't understand why it did, but I don't think I was upset about it.

Q Well, I guess my question was more geared towards whether you thought it was legitimate for Mr. Crow to be upset for a firm to be chosen after the process had already been completed and the firms had been added to the list, you know, on April 12, and then April 19 another firm is tacked on?

A I think that was an appropriate reaction for an underwriter if he didn't want to work with him, but I think it was inappropriate to ask the state agency to fire somebody or they were going to quit. I mean I don't think anybody should threaten to quit an account if you don't like what they want you to do.

Q Did he express concerns to you during your meeting about the erosion of independence of the



board of directors?

A I think he did, but you know, that's just another way to persuade me to do what he wanted me to do too.

Q Okay.

A I didn't see that happening. I think our board of directors acted independently on all issues. We had a pretty active board of directors, and I think they were all pretty well qualified for that position.

Q But you have no explanation for why they added the Collins, Locke & Lasater firm after the fact?

A That's right, I have no -- I was not involved in any of it and I have no idea. I don't know why the decision was made.

Q Did you have any discussions with anyone at Collins, Locke & Lasater after Stephens, Inc. pulled out of the deal?

A No. I purposely did not talk to anyone about it except Charlie Stout.

Q Why was that?

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A I didn't think it was anybody else's business. I mean it was -- as I said earlier, why would I do that? Why would I call Collins, Locke & Lasater and tell them what another underwriting firm said about them?

Q I'm just curious after just the event of them pulling out. That had to be an unusual event; right?

A Yes, it was an unusual event, but I never discussed it with somebody. I stayed completely out of it. As I told you earlier, I was not a political appointee in my opinion, and I didn't have a one-on-one relationship with the governor or with any of these people you're talking about. I was more or less staff that was promoted, you know, in the ranks of the agency.

I worked with the people that worked, you know. I worked also, so I worked on the accounts with the workers from Collins, Locke & Lasater. I worked on the accounts with the contact people from T.J. Raney and Stephens when it was appropriate, and with E.F. Hutton and Merrill Lynch or whoever the

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lead underwriter was.

But, you know, I was not contacted by anybody at the governor's office or the heads of these underwriting firms to do anything.

Q Are you aware of any political influence that was brought to bear to hire any firms that did work for AHDA while you were there?

A No.

Q Either law firms or banks, what have you?

A No.

MR. O'CALLAGHAN: I don't believe I have any further questions at this time.

MR. FEUER: Off the record for a moment.

(Discussion off the record.)

(Recess.)

EXAMINATION

BY MR. FEUER:

Q Ms. Chandler, let me introduce myself again. My name is Mitchell Feuer; I am a Democratic counsel on the staff of the Senate Banking Committee. And for purposes of today's deposition, I'll be asking you questions on behalf of the

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Democratic Senators who sit on the Senate Whitewater Committee.

The procedures that we employ in these depositions are that the Republicans go first and the Democrats go second, and for that reason there will be some repetitiveness to my questioning, and I apologize for that in advance.

If you don't hear my question, please let me know and I will repeat it. If you don't understand my question, please let me know and I will rephrase it so that we understand one another. If you want to go off the record at any time for a break or to confer with your counsel, please let me know and we will do that.

And for the sake of clarity, let me apologize in advance if I refer to you at any point as Linda Trent or Ms. Trent, because the documents that we have looked at from 1983 identify you as Linda Trent, which was your name at that time.

Ms. Chandler, when did you begin working for the Arkansas Housing Development Agency?

A I believe it was March of 1979.

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Q And who was the governor of Arkansas at that time?

A Bill Clinton.

Q Did you continue to work at the Arkansas Housing Development Agency while Frank White was governor of Arkansas?

A Yes, I did.

Q Did you continue working at the Arkansas Housing Development Agency after Bill Clinton defeated Frank White and became governor of Arkansas again?

A Yes, I did.

Q Did you meet with Governor Clinton before you became executive director of the Arkansas Housing Development Agency?

A Yes, I did.

Q Did you tell him you were not political?

A Yes, I did.

Q What did you mean by that?

A I meant that I didn't -- I was not a political appointee, that I wanted to run the agency as a business. I mainly wanted him to know that I

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wanted the position because of my expertise in the area, not for anything else. And let me go back and say, is that during the Republican governor?

Q Yes.

A The executive director was appointed in my opinion because he was political. I mean it was John Paul Hammerschmidt's brother, Bob Hammerschmidt, who I loved and admire; however, the executive director that was there when Bill Clinton was defeated resigned as executive director and Bob Hammerschmidt was put on because he was a Republican, I believe.

Q Who is John Paul Hammerschmidt?

A He used to be a representative from Arkansas.

Q And was he a Democrat or Republican member of Congress?

A He was a Republican.

Q What did you mean when you told Governor Clinton that you would run the agency like a business?

A Well, I guess I was referring to the two years that I was there when Governor White was

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governor, who was a Republican governor, and it appeared to me that they were pretty involved in the day-to-day affairs of state agencies, and I wanted to be the executive director of Arkansas Housing but I wanted to run it as a -- like a private business rather than being in contact with the governor's office all the time and that kind of stuff. And it was.

Q During this meeting, did Governor Clinton indicate to you that should you become executive director, he wanted you to favor certain firms in AHDA bond underwriting business?

A Absolutely not.

Q Did he indicate to you that he wanted you to exclude certain firms?

A Absolutely not. It was a very short meeting, and he listened to me most of the time.

Q Did you become executive director of AHDA?

A Yes, I did. Can I go back a minute?

Q Sure.

A I didn't go to the governor's office to ask him to hire me as executive director. I went to the

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governor's office so that he would know who I was and hopefully be convinced that I was capable of running the agency, because the executive -- the board of directors was going to hire the executive director, but I knew from past experience that they were going to run the name by the governor's office, so I just wanted him to be aware that I was capable and I had the experience to run the agency, so that when my name came up, he wouldn't say, you know, I don't know if she can do it or not.

So the purpose of going to the governor's office wasn't to ask him to hire me.

Q Had that happened before, that they had run the name of the executive director by the governor's office when a new executive director was hired?

A During the Frank White administration, yes, it did.

Q At the time that Collins, Locke & Lasater was included as an underwriter for AHDA multifamily bonds, had Collins, Locke & Lasater already been selected as one of the agency's underwriters for single family bonds?

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A You know, I want to think that they were, but I don't remember for sure. I thought I recalled that Collins, Locke & Lasater had been an underwriter on single family issues, but Mr. Feuer, I don't know if it was before the multifamily issue or after the multifamily issue, but I believe they were. I don't remember for sure.

Q Mr. O'Callaghan earlier read you portions of AHDA board minutes from March and April of 1983. If I represent to you that we have in our possession an AHDA subcommittee meeting minutes of February 17, 1983 which indicates that the Dabbs Sullivan Division of George K. Baum, Blyth Eastman, PaineWeber, T.J. Raney & Sons, Stephens, Inc. and Collins, Locke & Lasater had been chosen as underwriters for the agency's single family bond program, does that refresh your recollection as to whether Collins, Locke & Lasater had already been chosen as an underwriter of single family bonds?

A Yes, it does. It all happened closely together, as you can see by the dates, and I knew that they had, but I kind of was thinking the single

family issue came after the multifamily, but it's been a long time ago, so that's why I was confused as far as the dates, but yeah, that was like the month before.

Q When the AHDA selected underwriters for the agency's multifamily bonds, was Merrill Lynch selected as lead underwriter?

A Yes, I believe they were. And I think the '83 single family I think was a refinance of an older issue.

Q What role does a lead -- strike that.

What role did a lead underwriter perform in the agency's bond offerings at that time?

A Everything. I mean they really did all of it. To my knowledge, I think mostly the local underwriters were called on to sell blocks of bonds, and they did attend all the meetings, and they were more or less the eyes and ears of the senior underwriters.

But as far as putting the package together, setting up the meetings with Moody's and Standard & Poor's in New York for bond writing, issuance of the



bonds, they did all that, the lead underwriters did all that.

Q Did the lead underwriter receive the largest allocation of bonds to be issued?

A Yes.

Q And did the co-managers share among themselves the remaining bonds to be issued?

A Yes.

Q When the AHDA selected Merrill Lynch as lead underwriter, and T.J. Raney and Stephens, Inc. as co-managers of the multifamily bond issue, would the T.J. Raney firm and Stephens, Inc. have shared between themselves the bonds that were not allocated to Merrill Lynch?

A Yes.

Q Would inclusion of Collins, Locke & Lasater as a co-manager of that issue mean that the T.J. Raney firm and Stephens, Inc. would share the same amount of bonds among three firms rather than among two firms?

A That's correct.

Q So the Stephens, Inc. firm and the T.J.

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Raney firm would each have a smaller number of bonds to sell in that issue?
A That's correct.
Q What does it mean to an underwriting firm if they have a smaller number of bonds to sell?
A It means they make less money on the issue. It means that the money that the two firms locally would have made would be split three ways rather than two, so they would make less money on this issue with the inclusion of a third local underwriter.
Q Was Stephens, Inc. a -- strike that.
Was Collins, Locke & Lasater a competitor of Stephens, Inc. at that time?
A Yes.
Q Ms. Chandler, is it your understanding that Lasater & Company and Stephens, Inc. were both included in various bond issues that AHDA and its successor, ADFA, made in 1983, 1984 and 1985?
A I guess I can only speak for 1983 when I was there, and they were called Collins, Locke & Lasater firm, not Lasater & Company, and the answer

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would be yes. But as far as '84 and '85, I was gone from the agency and I don't know.
Q Were you aware of any reason in 1983 that Collins, Locke & Lasater did not qualify to participate in AHDA bond underwritings?
A No.
Q Have you learned anything since that time that suggests to you that they were not qualified to participate in AHDA bond underwritings in 1983?
A No.
Q From the time you joined AHDA through 1982, how many underwriting firms taken together did the Arkansas Housing Development Agency use in issuing bonds?
A Well, I think I can name them. We usually got the same groups proposing bids. E.F. Hutton, Merrill Lynch, PaineWebber, Dabbs Sullivan -- which is a division of George K. Baum -- T.J. Raney, Stephens, Inc., Collins, Locke & Lasater. And I think Prudential Bank. They may not have been involved in it, they may have just submitted a bid. But I would say seven or eight.

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Q Did that number increase beginning in 1983?
A Yes, it increased by three. I think '83 was the first time that Dabbs Sullivan was included, it was the first time that PaineWebber were included, and it was the first time that Collins, Locke & Lasater was included.
Q Did the Clinton administration beginning in January 1983 have a policy of including a greater number of underwriting firms in state bond business?
A Yes. I don't know that the governor's office actually said that specifically, but from 1979 the sale of tax and housing bonds was relatively new for financing houses, low-income housing in the '70s, and we started Arkansas Housing Development Agency in 1978, I believe, the latter part, and I think the first issue was either the latter part of '78 or early part of '79.

I know that I was underwriting the first bond issue when I went to work there, and from inception of the agency until early 1983, I believe the only underwriters we had used was E.F. Hutton, Stephens, Inc. and T.J. Raney. And Merrill Lynch

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might have been involved as a co-manager on one issue prior to January of '83.

So it was discussed that we needed to spread the business around a little, you know, and not give it to the same underwriting firms each time. And so it was in early '83 that PaineWebber, Dabbs Sullivan, a division of George K. Baum, and Collins, Locke & Lasater was included in an issue.
Q Who discussed that?
A You mean who discussed it with me?
Q Yes.
A I believe it was discussed by board members, Mort Hardwicke, probably Tommy Edwards and Mort Hardwicke. James Branyan was a board member at that time, and I think chairman at one point while I was there. So obviously we discussed it among the staff too.
Q Did you think that it would be beneficial to the agency to have a greater number of underwriters participating in the agency's bond issues?
A Yeah, I think I did.

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Q Why was that?
A Well, if you're going to use the same underwriters each time, you're not going to get competitive bidding. If they know they are going to get the issue because they have experience and that's all there is to it, then they can bid whatever they want and they know you're going to choose them.
So you want to make it competitive so you can make their bid more competitive, so you have more mortgage money to supply to Arkansas. You don't want to spend all your $100 million bond issues in fees.
So yeah, I think it was good.
Q Ms. Chandler, do you recall an AHDA board meeting where a board member made a motion that Collins, Locke & Lasater be included as an underwriter for the agency's multifamily bond issues?
A I do recall it now.
Q Was that motion made at a special executive board meeting?
A I believe it was.
Q For what purpose was that special executive board meeting called?

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A I don't remember. I didn't even recall it until part of the minutes were read to me a few minutes ago, but it's been a long time ago. I do recall it now, but I don't recall what the meeting was called for, unless it was for this specific reason, and I don't know that to be a fact.
Q If I told you that the minutes of the April 19, 1983 special executive board meeting of the Arkansas Housing Development Agency indicate that Mr. Hardwicke called the meeting to order at 4:10 p.m. and informed the board members that the special meeting was called for the board to take action and officially approve the documentation for the 1983 single family issue which was sold last week, and that that statement begins on page 1 of those minutes, and that on page 3 those minutes state further that "upon Mr. Hardwicke's request for further business, Mr. Wright made a motion that Collins, Locke & Lasater be added to the underwriting team for the agency's proposed 1983 multifamily issue," do you have any reason to think that the special executive board meeting was called for any

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purpose other than what's stated on page 1?
A No. In fact, it does jog my memory. You all will have to excuse me because I don't have a good memory. I haven't seen any of this documentation or I probably could answer a whole lot clearer about this stuff. But we were -- I believe at that time we had tried to go to issue these bonds a couple of days, and the market kept fluctuating, and we were trying to go to market in a very short period of time to get the best rate possible.
So yeah, that does jog my memory, and that would have been an appropriate reason for calling a meeting at 4:10 in the afternoon, because if our lead underwriters called and said it's time to hit, you know, the iron is hot, if we sell these bonds tomorrow morning we can probably get a quarter percent better rate on your bond issues, then we would have called a special meeting and we would have said go for it, you know.
We did that often, because you wanted to get in the market when you can get the lowest interest rate for your homeowners.

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So yes. And I believe that's probably what happened.
Q Is it your recollection that despite what Mr. Crow said to you about Stephens, Inc. not wanting to participate in bond issues with Collins, Locke & Lasater, that those two firms continued to participate in the same bond issues after your meeting with Mr. Crow?
A You know, I left in '83. They did not participate while I was there, but -- and I don't know this for a fact, but I do think that they did participate at a later date with Collins, Locke & Lasater with issues with Arkansas Housing, or ADFA, but that would have come from a third party; it wouldn't be firsthand knowledge on my part because I was gone.
Q Do you know where Michael Drake worked before he came to work at Collins, Locke & Lasater?
A No. I didn't know him until then.
Q Did you ever learn that at one time Mr. Drake had worked at Stephens, Inc.?
A If I knew it, I had forgotten it. I don't

think I ever knew that.
Q If I represent to you that at one time Mr. Drake did work for Stephens, Inc., does that stimulate any additional recollection with regard to Stephens, Inc.'s withdrawal from the AHDA bond issues?
A No, I don't think it would, because I don't think I knew it, but even if I had known it, I don't think it's unusual for bond underwriters to switch firms. I mean I have some friends, who have never done business with Arkansas Housing or ADFA, but that have worked at several different bond underwriting firms in Little Rock, so I don't think it would have made any difference as far as in my mind.
I really believe that Stephens was upset for a number of reasons. I think they didn't want to do business with them for some reason, maybe it had to do with Michael Drake, I don't know, but I think there was maybe, you know, something there. I think it was going to decrease their take on this bond issue, it was going to lower the amount of money they were going to make on it if you included a third



local underwriter, and maybe they were upset about the fact of them being included a week later.
So maybe a combination of all three of those things is what set Stephens off. And I can only speculate. That's what he told me.
Q Was it your impression at that time that the underwriting business was a competitive business?
A Yes, I think I've always known the underwriting business was a competitive business. There's a lot of money in it.
Q Was it your impression that underwriting firms tried to get as much business for themselves as they could?
A Yes.
Q Did you ever form an impression that there was an erosion of independence on the part of the AHDA board?
A No.
Q In selecting underwriters to participate in AHDA bond issues, was the AHDA board primarily concerned with which firms could raise money for the state of Arkansas most cheaply?

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A Would you repeat that?
Q Let me rephrase it. In selecting underwriters to participate in AHDA bond issues, were the board members trying to find underwriters who could raise money for the state of Arkansas most cheaply?
A Yes.
Q Were the board members concerned about which political candidates one firm had supported or another firm had supported?
A No.
Q Ms. Chandler, in your experience, did private sector individuals and firms make recommendations to the governor's office concerning appointments to the AHDA board?
A All the time.
Q Was it something out of the ordinary?
A Not at all.
Q Did members of the state legislature make recommendations regarding board appointments as well?
A I don't think I have any knowledge of that. I don't think I would know. I wouldn't think

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it would be unusual. Everybody wants to think they are important enough for somebody to listen to.
Q Did the private sector firms that made recommendations to the governor's office regarding AHDA board appointments include underwriting firms?
A I wouldn't think so. I never knew of that happening. You know, basically as far as recommendation letters that I'm aware of, the Arkansas Housing Development Agency provided low interest rate loans for low to moderate income families purchasing a first-time home in Arkansas. At the time the interest rates were usually pretty -- were higher, quite a bit higher than that, so obviously local banks all over Arkansas, not just in Little Rock but all over the whole state, were very interested in getting some of these funds to provide money for their community, you know, for their people to get a home. So they wanted people at Arkansas Housing Development Agency to know what they were doing.
I would like to think, if you're referring back to this recommendation from Collins, Locke &

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Lasater, for instance, for me, I didn't know them, but I would hope that it would be because I had a good reputation in the industry, that I was going to be fair about the allocation procedures and the process of the underwriting of the loans, and that's why people would recommend hiring me to the executive director's position. At least I would hope that that was the case. And I think that my reputation was that in Arkansas at the time. So I don't see it as unusual.

Q Do you think it's possible that if somebody heard that you were likely to get the job as executive director, that they might think it couldn't hurt to send a letter of recommendation on your behalf even if they didn't know you?

A Absolutely. I think it would be good business. If I saw a copy of a letter from somebody that I might eventually work with that recommended me for any reason, yeah, I'd feel probably better about that firm. I mean it would probably be good business on their part to do it. It wouldn't mean that I had any connection with them at all.

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MR. FEUER: I have no more questions at this time.

EXAMINATION

BY MR. O'CALLAGHAN:

Q I have a couple of issues I want to flesh out from Mr. Feuer's examination. I think you stated earlier that you thought there was a policy that the Clinton administration had of including more firms, underwriting firms within AHDA bond offerings?

A Yeah, Michael. I don't know if it was -- I don't know if it was a policy. I know that that was what I heard, that they wanted to spread the business around some, state business.

Q Do you know who Wooten Epes is?

A Yes.

Q Was he your successor in your position?

A He was the executive director after I left.

Q I got a newspaper article here which bears the Bates stamp DKSN 026009. It's entitled "List shows firms share state bond business." October 10, 1986. And the second page of the article, two paragraphs, it reads "In response to charges about

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Lasater, Clinton has said it has been the policy of his administration to spread bond business among 15 different firms. The list does show that the number of firms involved in bonding has increased, but Wooten Epes said that was not because of a policy directive from the governor's office. 'There's not been one since I came here and I don't know of any before I came,' he said."

Is that an accurate statement by him, as far as you know?

A Well, as far as I know. I don't know what Wooten Epes knows and what he doesn't know. We're not that close of friends, but like I said, I don't know that I could say it was a policy. Nobody ever from the governor's office called me and said we want you to spread the business around. I think we discussed that we didn't want to use the same firm each time, not every time. You want to make it more competitive, so I think that's probably an accurate statement from Wooten, to my knowledge.

Q Mr. Feuer referenced a February 17, 1983 subcommittee meeting of the Arkansas Housing

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Development Agency?

A Right.

Q And then in the second paragraph of that, the first page reads "Chairman Stout called the meeting to order and stated that the purpose of the meeting was to discuss a proposed solution to the problems with the current single family bond program. After discussion it was determined that the composition breakdown of underwriters in this proposal be as directed below." Then there's the names Dabbs Sullivan, Blyth Eastman, T.J. Raney, Stephens, Collins, Locke & Lasater. You said you recall that happening?

A Yes, I do. Like I said, you guys caught me cold because you didn't send me anything to look at and I don't have a wonderful memory, but I believe that February single family issue that you're talking about was a refinance of an old issue where the interest rates went down closer to what the old single family rates were, so it was becoming hard for us to get the rest of that money out.

So it was PaineWebber and Dabbs Sullivan

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that brought a solution to that problem to the board at some point in time before this February meeting -- I don't know when it was, maybe end of '82 -- which was called a refinancing or refunding of that earlier issue.

And I'm not exactly sure how you do it, but they called the bonds back in, I think, and then reissue them at a lower interest rate so that it's more competitive, you can get the money out and you don't have to call it and lose money on it.

That's the problem that Charlie Stout was referring to as far as single family. We had done studies, we had really worked on this hard, and determined that if we couldn't sell the bonds at a certain interest rate, we shouldn't sell, okay.

So there was a cap. And the reason this meeting was probably called, I mean this is -- I'm fairly sure that I'm right about this -- is there was a window that we could sell the bonds, if we would hurry up and do it maybe the next morning, we might could get them all out and get the rate that we needed to get, but if we waited any longer, you know,

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we might be out of the market again and have to wait another two weeks or a month to catch a window to sell them at a lower rate.

So I'm pretty sure that's what was happening in this case, and that's why he said to discuss the problems of the single family issue, because we were recalling or refinancing, refunding an earlier issue to make available lower interest rate funds, and it was real important that we do it in a real short window that was there. So I have no reason to believe that wasn't the purpose of this meeting.

Q Do you recall if you had ever even heard of Collins, Locke & Lasater before they were chosen to be on this group?

A You mean for the single family?

Q Yes, ma'am.

A I don't think I had. I mean prior to working for Arkansas Housing, I was in the mortgage business here in town, and I was a loan processor. That's why I got this job with Arkansas Housing as a loan underwriter, because I was familiar with

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mortgages and deeds and surveys and all the stuff that you underwrite on a loan. And I was not familiar with the underwriting community at all.

And the only contact I ever had was with Arkansas Housing, and as I said, the earlier issues we used Stephens, Inc. and T.J. Raney and E.F. Hutton and I think Merrill Lynch, so I don't think I even knew who they were maybe until, you know --

Q They were hired?

A Nine months or a year before they were hired I might have heard the name, but I had no knowledge or contact with any of them.

Q There was a meeting of the board, special board of directors meeting on January 21, 1983, which I believe was the meeting just previous to the February 17 meeting.

A Yes.

Q And you're listed as being in attendance at that meeting. On the last page of that there's a reference that says "Mr. Stout told the board that he and Mr. Hardwicke were meeting with the governor, Bill Clinton, today at 5:00 p.m. to discuss some of

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these issues."

A What issues?

Q Let me give you the part before that.

A Read me the whole thing, please, what you're looking at.

Q I didn't mean to do that to you, excuse me. The paragraph before that reads "Chairman Stout then read the second resolution declaring intention to conduct FSLIC, FDIC, economic, health care and agricultural financing programs. Called for questions. Mrs. Betty Walker asked what kind of implementation this would be. Chairman Stout replied that the last legislature passed a bill to provide tax-free bonds to finance agricultural projects, which might be for farm equipment, real estate, et cetera. Mr. Stout said that it was his understanding that the intent of Governor Bill Clinton was to incorporate the agri bill in with us and let this agency do agri bond financing and also some health care financing.

"Mr. Mort Hardwicke added that the agency would also do industrial development bonds for small

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businesses. Mr. Stout told the board that he and Mr. Hardwicke were meeting with the governor, Bill Clinton, today at 5:00 p.m. to discuss some of these issues."

Do you recall that being mentioned in the meeting?

A Yeah, I do now. You have to understand that we were only a housing agency from 1978 until 1983 and there had been discussion -- I guess I didn't know that the legislature approved us being able to do this. If I knew it, I had forgotten it. But I know that we discussed how to assist -- you know, this is an agricultural state. All the rural areas here are agri, and at that time more so than even now.

So I know that people come to us at the agency lots of times suggesting that we ought to be able to provide low interest rate funds for this or that or something else, but up to that point, we were just housing, nothing else, single family, multifamily, low income, moderate income housing, that's it.

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So I do recall this being discussed on several occasions. I don't have any reason to think it wasn't discussed on January 24, but --

Q 21.

A Again, 13 years ago I can't say for sure, but if it's in the minutes and I'm in there, I heard it.

Q Well, do you recall Mr. Stout saying that he and Mr. Hardwicke were going to meet with the governor that day at 5:00?

A I don't recall that, but if it's in the minutes, he said it.

Q Do you recall whether at the next meeting, on February 17, Mr. Hardwicke and Mr. Stout related to you that they had met with the governor on the 21st?

A Michael, I don't recall that but they very possibly could. You have to keep in mind that January 24 is the first month after Bill Clinton's re-election. And as I said, Bob Nash was economic development adviser, and they were trying really hard to try and develop the economy of Arkansas. The

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interest rates were high, we had a lot of unemployment at that period of time, '83, so that issue was on everybody's mind in the whole state, is how do we develop the economy of Arkansas, which was mostly agriculture. So I don't have any reason to believe that this didn't happen.

Q So when Lasater & Company was chosen for that refinancing, or Collins, Locke & Lasater for the refinancing, do you recall whether they submitted a proposal or how that worked?

A I don't recall but I would be really surprised if they didn't submit a proposal. I don't think we ever hired anybody without a proposal.

Q In Mr. Wilburn's letter that I read to you earlier, April 28, one of his concerns was a group had been added without submitting a proposal. Do you recall if that was accurate or not?

A I don't think it was accurate.

Q Do you think he was mistaken about that?

A I don't think that we ever hired any firm without having a proposal, a bid. If we did, I don't know about it. If I had known at the time, if it's

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proven that we didn't have a bid, if I had known that at the time I would have objected to it. I don't think we ever did that. I don't believe that happened.

Q You said earlier that one of the concerns Mr. Crow had expressed to you was that the Collins, Locke & Lasater firm wasn't of, I think you said something similar to not as high quality as Stephens, and then you also said that he had concerns about them being unscrupulous.

Did he ever express any concerns about drug use occurring at Collins, Locke & Lasater?

A You know, we talked a lot about that that afternoon because I didn't think it was appropriate, and as I said, I don't recall any specific things that Charlie Crow said to me. I mean I can't recall the conversation verbatim, but I know that the indication to me was that, you know, that he didn't think they were a good firm and that he felt that things were going on that he didn't want to be involved in. But I don't know that I can specifically say that he said there was any drug

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stuff going on.
Q Had you ever heard that?
A Not at that point in time I hadn't. You know, I'm going to -- well, no, the answer is no, at that point in time I knew absolutely nothing about Collins, Locke & Lasater. I didn't know any of this stuff.
But you've got to know that it's hard to answer these questions sometimes now because I read the Arkansas Gazette and the Arkansas Democrat-Gazette now every day, and I always have. A year or two years or something after the time we're talking about, you know that there was a big -- stuff going on about drugs and that kind of stuff with Lasater, and you know that Dan Lasater was convicted and served time in a federal penitentiary. You know all of that probably. I know it through the newspaper but not -- I didn't know any of this stuff then.
Q That's what I was trying to get at, whether you knew about it back then.
A No, I had no idea. I'm a pretty naive

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person, I don't know anything about drugs or anybody dealing with them or anybody doing them, and I didn't back then for sure. It never came to my attention at all.
Q Do you know if it ever came to the attention of any of the board members?
A Not that I'm aware of or I think they would have mentioned it to me. I was shocked when I read it in the paper a few years later when all of it was going on. I didn't know anything about it, but that's where I got my information, nowhere else, just the newspaper.
Q In later issues, if Collins, Locke & Lasater or Lasater & Company had been included as one of the underwriters in the group and Stephens, Inc. had been included in the group as well -- actually I'm going to withdraw that.
I don't think I have any further questions.
MR. FEUER: Neither do I. Thank you very much, Ms. Chandler.
MR. TURBEVILLE: She would like a copy of

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this deposition and a copy of these minutes that have been read. I guess we could attach them to the deposition or however you want to do that, but she has none of this and she's being told that she may or may not be called to testify, you know, at the Senate Committee or something, and she would like a copy of this.

MR. O'CALLAGHAN: We can send her a copy of the deposition to make changes on. There's a confidentiality procedure we have with the committee which we'll send along with the deposition.

MR. TURBEVILLE: Okay.

MR. O'CALLAGHAN: With respect to the documents, I'll have to get back with you; I believe we're restricted from providing you with these due to the fact of the confidentiality agreement we have entered into with the different entities who have provided us with the documents, that we're required to keep them here in a secure room with an armed guard in the Senate.

THE WITNESS: Excuse me, but the minutes of all of the board meetings of Arkansas Housing is open

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to the public. Is there any reason why I can't go there and get copies?

MR. O'CALLAGHAN: You can go there and get copies, no problem.

THE WITNESS: There shouldn't be any confidentiality of any public meetings that happened while I was at Arkansas Housing.

MR. O'CALLAGHAN: Yes, ma'am. It's just with regard to documents we have received from people, whether or not it's a newspaper article or a public accounting of board meetings --

THE WITNESS: I understand. Do you know at this point in time if I am going to be called to testify?

MR. O'CALLAGHAN: I do not. We'll probably know by tomorrow. I mean we will notify you if that's going to happen.

THE WITNESS: Michael, tomorrow is Sunday. You've got my fax number. Will you fax and tell me whether I am or not?

MR. O'CALLAGHAN: Sure.

THE WITNESS: Call me or something so I

can -- you know, I work, I need to make arrangements for not being there, whatever day or days that I'm not.

MR. O'CALLAGHAN: Yes, ma'am. We will definitely do that.

THE WITNESS: Thank you. How are you going to get the copy of the deposition to me? I understand if I am called to testify it will be next Wednesday, so will you fax me a copy or Fed Ex me a copy or what?

MR. O'CALLAGHAN: One or the other or both.

(Whereupon, at 12:43 p.m., the deposition was concluded.)

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LINDA D. CHANDLER

CERTIFICATE OF NOTARY PUBLIC & REPORTER

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I, CARMEN BUNCH, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Notary Public in and for the
District of Columbia

My Commission Expires MARCH 14, 1998

# DEPOSITION OF CHARLES D. CAMPBELL IN RE: S. RES. 120

**MONDAY, APRIL 29, 1996**

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER
DEVELOPMENT CORPORATION AND RELATED MATTERS,
*Washington, DC.*

Telephone deposition of CHARLES D. CAMPBELL, called for examination pursuant to notice of deposition, at 2:05 p.m. in Room 640–A of the Hart Senate Office Building, before JOANNE LIVERANI, a Notary Public within and for the District of Columbia, when were present:

H. CHRISTOPHER BARTOLOMUCCI, ESQ.
Majority Associate Special Counsel
GLENN F. IVEY, ESQ.
Minority Counsel
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Building
Washington, DC 20510
On behalf of the Committee.

ALSO PRESENT: JIM PITTRIZZI

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PROCEEDINGS

MR. BARTOLOMUCCI: Good morning -- or afternoon, Mr. Campbell. This is a deposition conducted pursuant to Senate Resolution 120. That Resolution establishes a Special Committee under the Banking Committee to conduct an investigation of Whitewater Development Corporation and certain related matters. The deposition is being conducted in advance of public hearings. You may be called to testify at those hearings.

I will be asking you questions under oath. If you don't understand a question, let me know and I will gladly rephrase it, and tell me at any time if you want to take a break.

THE WITNESS: Okay.

MR. BARTOLOMUCCI: Our court reporter will prepare a record of the deposition and we will treat this as confidential until the commencement of any hearings. And as I told you a moment ago, you will get a copy of your deposition prior to any scheduled public hearing date, and we will also make sure you get a copy so you can make any corrections that are

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necessary.

THE WITNESS: Okay.

MR. BARTOLOMUCCI: You are not being represented by counsel today, but you were aware that you had that right; correct?

THE WITNESS: Yes, sir.

MR. BARTOLOMUCCI: Just so you know, objections to the form of questions we note for the record, and questions may also be objected to on grounds of privilege or scope.

Ultimately, however, the Committee Chairman rules on such objections.

I am going to ask the court reporter to swear you in right now.

Whereupon,

CHARLES D. CAMPBELL

was called as a witness and, having first been duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. BARTOLOMUCCI:

Q Would you please give us your full name for the record.

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A Charles Daniel Campbell.

Q And, Mr. Campbell, what is your present work address?

A Post Office Drawer F, as in Foxtrot, Mountain Home, Arkansas. Zip code 72653.

Q If you would, please, give us a brief sketch of your educational background.

A Graduated high school at Cash, which is about 20 miles southwest of Jonesboro; attended Arkansas State University, have a bachelor of science in agriculture economics; graduate of the School of Banking of the South graduate school at Louisiana State University, they were short courses. But that's basically the education.

Q Tell us please your present occupation.

A I am employed by First National Bank & Trust as a vice president in commercial lending.

Q And if you would, tell us your association with the Security Bank of Paragould.

A I went to work there in January 1979 and

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worked there until February 1987.

Q And what positions did you hold during that time period?

A Initially, I was in the ag lending department of the bank in 1979. I was in charge of the ag lending in 1980, '81, I believe, and '82. I was, in '83, in charge of the lending function, and I am not sure if '84 or just '85, till I left -- I believe it was '85, first of '85 until I left in '87, I was in the operations department, in charge of the operations division of the bank, and investments of the bank.

Q Do you remember what your title was during that second period of time, when you were in the operations department?

A I was a vice president all through that period, this whole employment.

Q The whole time?

A Yes.

Q Let me make sure I've got this right. From the time you came on board in 1979 through 1983 or so, you were in ag lending; and thereafter, maybe

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starting in '84, '85 in the operations department?
A Yes, sir.
Q Focusing on that second period, when you were in the operations department, can you give us an idea of what your responsibilities were?
A Yes. I was -- I had the bookkeeping accounting department under my supervision. I had the accounting division of the bank or the accounting department and the data processing department, and I was in charge of the investment portfolio.
Q Who did you report to during that time period?
A I reported to the president of the bank.
Q And that would have been who?
A In 19 -- in that period of time, for a short period of time, it was Frank Oldham; and from '85 until I left, it was Bill Fisher.
Q During the time that you were in the operations department, what responsibility did you have with respect to individual loans?
A I sat on the -- sat on the ag -- agricultural loan approval committee, and continued

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in an advisory capacity to the individual who was in charge of lending.
What happened was that Steve Gramling and I traded places to gain experience in banking. He was in charge of the operations. He moved over to the lending division of the bank. I moved to the operations side of the House.
Q So this switch with Mr. Gramling is connected to your going over from ag lending to the operations department?
A Yes.
Q All right. Do you know Marlon Jackson?
A Yes, sir, I do.
Q Can you give me a sense of how you know Mr. Jackson?
A I first met Marlon when I was a high school student in the late '50s. He was -- I don't know what his status was, he was a student at Arkansas State, I don't know if he was a junior, senior or what. And I knew him when he was a vocational agriculture teacher in Monette, Arkansas. And my next -- I continued to be acquainted with him, but

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the next contact I had with him was probably in 1964.

He was working in the -- had formed an agricultural lending department at Citizens Bank in Jonesboro, and I went to work for that bank in March of 1964 and worked for him. He was my immediate supervisor. That continued until probably '68 or '69.

He left the bank and went to Paragould, went to the Security Bank. I continued to work for Citizens Bank until 1979. Marlon was president and chairman of the board of Security Bank and continued in that capacity, till he left in, I believe, '83, to become the state banking commissioner.

Q And you mentioned that you reported to Bill Fisher at one point during the time you were at Security Bank, so you obviously know Mr. Fisher?

A Yes, sir.

Q Can you please give us an idea of your relationship with him?

A Bill was working at Security Bank when I went to work there. He was in charge of lending. He

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left the bank -- I don't remember exactly when, but he left the bank and went to a bank in Newport, and was gone a couple of years, and came back as the bank's president in, I believe, 1985.

Q What about Frank Oldham?

A Frank was a professor at Arkansas State, and I had known him -- I don't remember when I first met him, but he was -- he was working with Security Bank in a consulting role, just occasional contact. I had very little contact with him when he was in that capacity.

He came to work full-time at the bank in, I believe, 1983, when Mr. Jackson became the banking commissioner.

Q During the time you were at Security Bank, or for most of that period, Bill Clinton was the governor; correct?

A He was the governor, and then he was not for, I think, four years and then he was re-elected or elected again. I am not sure how his term was, I don't know if he was governor when I went up there or not.

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Q You have a general memory for most of that time period he was the governor?
A Yes, that's correct.
Q Do you know Bill or Hillary Clinton personally?
A No, sir. I have met them at meetings, but in a crowded room situation. I wouldn't expect either of them to recognize or remember me.
Q Do you know Jim or Susan McDougal?
A No, sir.
Q You have never met either of them?
A No, sir.
Q Are you aware if anyone at the Security Bank had a relationship with the McDougals?
A No, sir, I am not aware of any.
Q During that time you were at the Security Bank, were you aware of any business ventures involving both the McDougals and the Clintons?
A No, sir.
Q So during the time you were at the Security Bank, you didn't know about the Whitewater investment or Whitewater Development Corporation?

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A No, sir. I first learned of Whitewater when I was employed at the Bank of Yellville. I probably heard about it in 1988 or 1989 because it is in the same general area.
Q Did you say "Yellville"?
A Yes.
Q You said that was in 1988 or '89?
A I went to work there in '87. And I think the first time I ever heard of Whitewater was probably in '88 or '89.
Q What did you hear about it?
A I heard that it was a development that the governor was involved in. That's about all I heard at that time.
Q Do you remember who you heard about this from?
A No, sir.
Q Was --
A It was just conversations in the area that the governor had an interest in some land on the White River.
Q So this wasn't from press accounts, this

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was from conversations you had?
A Yes, sir.
Q I want to refer you to the documents that I sent you, the ones marked in green ink with a 1. I marked the lower right-hand corner in green ink.
A Okay. Okay, I have it.
Q So document 1, for the record, is the Clintons' loan application at the Security Bank of Paragould, dated September 30, 1983. It was a loan for $20,800.
Now, on the second page of that document, there is a box where it says "approved by" and then the initials appear "CDC."
A Yes, sir.
Q I take it those are your initials?
A Yes, sir.
Q Do you remember approving the loan?
A Yes, sir. I don't remember -- I don't remember approving it, but those are my initials and that is my signature. I made the initials, I signed it. I'm sure I did it.
Q What do you remember, if anything, about

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the approval of this loan?
A Well, I have granted interviews on two occasions with FBI agents relative to this, and I don't know if you have access to that or not --
Q We don't, so we want to get your best recollection as it is today.
A Yes.
Q And if you can do so without referring to what you told the FBI, we would appreciate that, so we don't step on their toes.
A Well --
Q Just if you would tell us what your recollection is about the approval of this loan.
A I don't remember a whole lot about it. I remembered it as a loan of $12,000. And they showed me a copy of this same document and it said 20,800 loan. It was a one-year loan. It was a loan to Bill Clinton personally and it was unsecured. I remember all of that.
Q You said you remembered the loan as being one for $12,000?
A Yes, sir.

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Q Why did you think it was a loan for $12,000?
A That's just what I remembered. I think I was mistaken. That's the only reason I made reference to the earlier interview. I had told the people that and they gave me a copy of the same document you gave me here. The loan is $20,800. My memory was off.
Q Fair enough.
Did you have any continuing responsibility for this loan after you approved it?
A Yes. While I was active in the lending department, I was responsible for this loan, yes.
Q So does this mean you would have been the person responsible for handling this loan, and handling --
A For servicing the loan, yes.
Q This is a loan that Governor Clinton took out personally; right?
A Yes, it is in the name Bill Clinton.
Q And therefore, he was obligated to repay it?

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A Yes, sir.
Q If Bill Clinton was under the impression that some third party was supposed to pay the loan, and the loan wasn't paid by that third party, your bank would go after Bill Clinton and not the third party; right?
A Yes, sir.
Q I see that, on the third page of the document, it bears Bill Clinton's signature.
Do you know if you were present when he signed this?
A I would say I was not, because I think all the documents were probably sent to him. He was not in the bank. I did not go to Little Rock.
Q So you didn't have any -- you didn't meet with Bill Clinton with respect to this loan?
A No, sir.
Q Now, the second page of the document indicates that the loan was due on September 30th, 1984; or in other words, one year?
A Yes, sir.
Q Is that remarkable for a loan of this type?

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A No, sir. Quite common, one year.
Q And the fact that the loan was unsecured, would that also be common for a loan of this sort?
A Yes, sir. If there was evidence of financial strength to support a loan on an unsecured basis, it would be done.
Q Do you have any reason to believe that this loan application was handled unusually?
A No, sir. No, sir.
Q And so from your perusal of it, you don't find anything remarkable or unusual about it?
A No, I do not. Unsecured note for one year.
Q All right. Now, the second -- the document that I sent you marked with a 2?
A Yes, sir.
Q Do you have that? That's the -- for the record, that's the document with the heading "personal financial statement." It is addressed to the Bank of Cherry Valley, and dated April 25th, 1983. That's the document you are looking at; right?
A Yes, sir.

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Q Do you recall this being the financial statement that was tendered in connection with this loan?
A No, sir. I don't remember this particular financial statement, but, you know, it would have been normal to receive a financial statement with an unsecured loan application.
Q In fact, page 2 of the Security Bank loan application, if I can refer back to that, has a box where it says "documents required," and "financial statement" is checked; right? Do you see that?
A Yes, sir, I do see that. It is checked.
Q Now, do you remember whether it was in your -- whether it was in your discretion to require, or not require, a financial statement to be submitted in connection with this loan?
A I don't remember the exact parameters of our loan policy at that time. But loans over a certain amount would have required a financial statement if the loan was unsecured; and over another larger amount, it would have required a financial statement whether it was secured or unsecured.

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Q So do you think this loan, the size of it being a little over $20,000, would have required, under bank policy, a financial statement?
A Yes, sir.
Q Now, do you have any idea why the Clintons submitted a financial statement addressed to the Bank of Cherry Valley?
A I did not know, but you know, in looking at the document, I would say that this is a statement that they had had in their possession and prepared it. It was available. It was barely current. At that time I guess it was six months old. Looks like it was prepared April the 25th of 1983.
Q So there would have been no problem with them tendering an April financial statement in connection with a loan made in September?
A No, sir.
Q And it didn't matter that it was on a Cherry Valley form as oppose to a Security Bank form?
A No, sir.
Q Did you have -- do you recall any discussions that you had with anyone about this

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financial statement?
A No, sir. I'm not aware of any financial -- I am not aware of any discussions I had about the financial statement.
Q Now, the Clintons were under a legal obligation to be truthful with respect to the information they provided in this loan; right?
A Yes, sir.
Q As a banker, you would take that obligation very seriously?
A Yes, sir.
Q And am I right that it would, in fact, be a crime to deliberately provide false information on the form?
A Yes.
Q The second page of the form, down near the bottom, lists under the real estate section, a half interest in 200 acres in Marion, valued at $200,000. Do you know anything about that?
A No, sir. The copy I have -- I assume you are right, it says "half interest" -- but my copy does not cover that. It says "interest, Marion," and

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then on the next line it says "city," and then it says "Arkansas, 200 acres."
Q I think the half must have just been cut off the edge of your copy. But you don't know anything about that entry; you don't have anything to share with us about that?
A No, sir. You know, probably -- the only thing I could do with that entry would be guessing, and it is probably supposed to be Marion County. There is a Marion, Arkansas, that's a city, but I don't know anything about 200 acres in Marion, Arkansas.
Q Now, I would like to refer you to the documents I sent to you numbered 3 and 4.
A Okay.
Q Document 3 is a letter, apparently written and signed by you, dated September 30, 1983, and it is addressed to Governor Clinton. We are looking at the same document?
A Yes, sir.
Q And it states, "Enclosed is a copy of our check number 12677 in the amount of $20,800

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representing the proceeds of your note. The original was mailed to Madison Bank & Trust, Kingston, Arkansas."
Do you remember writing this letter?
A No, sir. That is in fact the facsimile of my signature, but it is a signature stamp which I use on a regular basis on routine correspondence. And I can tell you for sure that that's a stamp because I still have the stamp, and I looked at the documents when they came in this morning and I reviewed them a while ago when I was waiting for your call, and compared the stamp with this. And I feel certain this was a stamp.
Q Would you have stamped that document yourself, or did your secretary or someone have access to the stamp?
A My secretary would have stamped it. If I were there, I could have signed it.
MR. IVEY: Could you repeat the answer.
THE WITNESS: No, I didn't stamp it myself. If I had been there, I would have signed it. I am sure my secretary used the stamp.

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BY MR. BARTOLOMUCCI:
Q Do you have any reason to believe you didn't write this letter? Is it possible your secretary wrote it and stamped it and sent it out without your awareness?
A In all likelihood, I -- and there again, I do not remember, but in all likelihood, I told her where to send the check and to put a cover letter with it, explaining what it was. And she wrote this and sent it out at my instruction.
Q Now, how would you have known to send the original check to Madison Bank & Trust?
A I don't know. I am assuming I was told, but I have nothing here in the documentation that covers that question, and I do not remember. I don't remember what would have made me send it that way. I am sure I was told or asked to do it that way.
Q Document 4 is a copy of the check dated 9/30/83 for $20,800 a Security Bank check payable to Madison Bank & Trust. That looks like a copy of the check you had mailed out?
A Yes, sir. The check number is mine.

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Q So do you have any independent recollection, that is to say independent from these documents, about the purpose of the Clinton's loan?
A No, sir. I do not.
Q You didn't have any awareness about the -- well, strike that.
Were you aware that in 1983, Madison Bank had come under scrutiny from bank regulators?
A No, sir.
Q During 1983, the year that you would have handled this loan application, did you have any awareness that Madison Bank & Trust was coming under scrutiny for excessive out-of-territory lending?
A No, sir. I did not then, nor do I now, know where Madison Bank & Trust is. The letter says it is in Kingston, but I don't know where Kingston is, either. I don't know anything about Madison, Madison Bank.
Q Now, it is our understanding that the Clintons borrowed the money from Security Bank to pay off a loan at Madison Bank & Trust. It is also our understanding that they borrowed less than the full

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amount of their outstanding debt at Madison Bank.
I take it you don't have any idea why they borrowed less than the full amount?
A No, sir.
MR. IVEY: Do you know what the -- never mind. I will wait until it is my turn.
BY MR. BARTOLOMUCCI:
Q Mr. Campbell, I want to draw your attention to the fifth document I provided to you, which bears Bates number DKRT 400142. This is a notice of a past due loan payment, dated October 5th, 1984. Do you have that document?
A Yes, number 5.
Q Number 5?
A Yes, sir.
Q Then there is a similar document which I gave you numbered 6, which is a past due loan payment notice, dated October 15th, 1984 --
A Yes, sir.
Q -- and that one is Bates numbered DKRT 73388.
Would you have been aware about the fact

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that the Clintons loan was past due?
A I would have been aware -- I am not sure if I was aware when it became past due. I was aware that it was past due. When that -- I was aware it was past due, I guess in 1984, yes. I don't know exactly when I became aware. But, yes, I was aware it was past due in '84.
Q Do you remember anything more than that simply the loan was past due in 1984?
A Well, let me -- with reference to these documents, I would not have been aware of the documents you are talking about. They went out automatically, produced by the computer application, went out in the mail automatically.
I was aware that the note was past due because the extension agreement was not returned, to extend the note. And that's when I became aware.
Q Now, what would have been the procedure with respect to past due loans? Do you know when a notice would have gone out to the borrower about a loan being past due?
A On a single pay note of this type, I don't

believe there would have been a "will be due" notice, but it would have gone out after the due date. One of these -- document number 5 is dated October the 5th, which would have been five days after the due date. And then, 10 days later, document 6 is dated October the 15th.

Q Now, do you remember if you took any action after learning that the note was past due?

A Yes, sir. I don't remember when, but yes, sir. When the -- somebody paid the interest, you know, the note was -- the interest was paid on this note, and an extension agreement was generated. Now, I do not remember actually doing that.

I do remember that the extension agreement did not come back in the mail, and the transaction was not completed. And at that time, I did get involved.

Q So you were aware that the extension agreement had not been completed by September 30, 1984?

A Had not been returned, right.

Q Let's add that document to the mix. It is



the document I numbered 7.

A All right.

Q The bottom half of the document shows an extension agreement that is a Security Bank form, and it says number 4428 in the left corner. Do you see that one?

A Yes, sir. Yes, sir.

Q And this is reflects an extension for one year from September 30th, 1984 to September 30th, 1985?

A Yes, sir.

Q And it reflects that the amount extended was 18,800 so $2000 of principal had been paid off on it; am I right?

A Yes, sir.

Q Now, the date on the document appears to be -- well, the date as listed is 9/30/84. Based upon these past due notices that we've looked at, is it safe to say that that agreement was not completed by September of '84?

A Right. That date would relate to the prime maturity.

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Q Well, I am looking at the line where it says just simply date, just to the left of the --
A Yes, sir.
Q -- approval signature?
A Yes, sir.
Q Now, I take it that should have referred to the date that the form was completed; right?
A I think it would refer to the date from the maturity, but I don't -- there is no date on here that actually relates to the date of preparation.
Q Do you see the notation --
A It may well be the date of preparation, but I don't think it is necessarily the date of preparation.
Q Do you see the notation at the top where it says "loaded 12/27/84"?
A Yes, sir.
Q Do you know what that refers to?
A I think that is an entry from the note clerk when it was loaded into the computer application for loans.
Q So this information was inputted --

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A Input into the system, yes, sir.
Q And that's December 27th, 1984, or almost three months after the original loan was due?
A Yes, sir.
Q Would that have been inputted soon after the form was completed?
A It would have been input soon after the form was received back by the bank.
Q So then is it safe to say the bank received the completed form some time in late December of '84?
A Yes, sir, I think that is a fair statement.
Q Given that the original loan hadn't matured at the end of September of that year, we've got a three-month gap there. I mean, would any problem have been created by that?
A Yes, sir, it is a past due note. Yes, sir, that would create a problem.
Q What would normally happen when the loan was past due for almost three months?
A The loan officer would contact the maker of the note and find out why it was passed through.
Q Would that have been your responsibility?

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A Yes, sir.
Q And you've testified here that you remember becoming aware that the loan was past due?
A Yes, sir.
Q Do you remember what steps you took to bring the loan into good order?
A I called -- I do remember this on the extension agreement. I don't remember if I called and said the note is past due and do something about this, or if I called tracing the extension agreement itself, but I talked with somebody in the governor's office, and I really don't remember a name. I can't be certain who I talked to. But I asked them to assist Mimi in this, to bring it to the governor's attention.
Q You don't remember who you talked to in the governor's office?
A No, sir, I could speculate but I could not -- I couldn't tell you for sure that I know who I talked to.
Q I take it you did not talk to the governor?
A No, I did not talk to the governor.

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Q Do you know what happened after you mentioned this to someone in the governor's office?
A What I remember is that somebody called me and said that this extension agreement had been misplaced, and that it would be forthcoming, and it was sent in and then run. I do not remember getting it. I don't think I actually got it back. This was after I had taken on some operational responsibilities.
MR. BARTOLOMUCCI: Off the record for a second.
(Discussion off the record.)
MR. BARTOLOMUCCI: Back on the record.
BY MR. BARTOLOMUCCI:
Q Do you recall anything else about this extension agreement or anything about the fact that the loan was past due in late '84?
A No, sir. I remember it was past due. I do remember calling the governor's office, and I -- and somebody called me. I remember somebody getting back to me, saying it had been misplaced and was being taken care of. And that's all I remember about it.

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It was, in fact, taken care of, and got off the past due list.
Q Now, the eighth document I sent you is a handwritten letter dated October 22nd, 1984, Bates number DKRT 100735. It is a letter that begins "Dear Jim," do you see that one?
A Yes, sir.
Q You would have no reason to know this: The author of this letter is Mrs. Clinton.
I want to direct your attention to the second paragraph, where it says "I asked Security Bank to extend the note, but apparently my written request fell on deaf ears."
Do you have any idea what that's a reference to?
A No, sir. I don't know anything -- I suspect it was an extension agreement that was mislaid, judging from the -- it says October 22nd at the top of this letter.
Q Right.
A Do we know that this is October 22nd, 1984?

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Q Well, it should be 1984 in the upper right-hand part of the document.
A Is that a part of the document?
Q I believe it is.
A Okay. The timing would be right, but I do not know that that's what the reference is.
Q It would seem like the extension -- the '84 extension had not gone through by October 22nd; right?
A Right.
Q Since the loaded date is late December of '84?
A December.
Q The loaded date was December 27th.
A Yes, sir.
Q So you don't remember a written request coming in to Security Bank from Mrs. Clinton?
A No, sir, I do not.
Q This is a letter addressed to Jim McDougal, and the last thing Mrs. Clinton writes is "Will you please ask someone to take care of this for us?" I take it you didn't have any discussions with

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Mr. McDougal about the extension?
A No, sir. I don't remember ever meeting or ever talking to Mr. McDougal.
Q And I don't have any reason to believe that you did, so your categorical memory is that you have never talked to Mr. McDougal?
A Right.
Q Let's go to the document I numbered 9, which is the letter to you from Marlon Jackson, dated November 1, 1985. It is DKSN 001244. Do you have that letter, Mr. Campbell?
A Yes, I do.
Q Do you remember receiving this?
A No, sir.
Q Do you have any reason to doubt that you did receive it?
A No, sir.
Q You weren't overseas in November of '85 or anything like that?
A No, sir. I was in -- I was in the operations side of the house, but no, I was not overseas.

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Q Now, the first thing the letter says is "I am enclosing the extension agreement which governor Bill Clinton signed yesterday." Do you remember Marlon Jackson forwarding to you an extension agreement related to the governor's loan?
A No, sir. Not to say that he didn't, but I don't remember it.
Q Down below in the fourth paragraph where it says, "After making the appropriate approval of the extension agreement, please return the appropriate copy to me and I will personally deliver it to Governor Clinton." Do you have any memory at all of that?
A No, sir. No, sir, I do not.
Q So you don't remember there being a time when Jackson asked to you approve an extension on the Clinton loan?
A No, sir, but this extension apparently had been sent to the governor before this.
Is this the extension that we just looked at, or is this the extension that was on the page that we just looked at?

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Q I don't believe so because the date on this is November of 1985, so I think we have skipped ahead a year.
A Okay. This letter is dated November 1st, '85.
Q Right, and the extension agreement we looked at before was dated 1984, was loaded December 27th, '84?
A But there was one at the top of that page, says "loaded November 13th, 1985."
Q Okay, you are actually referring to a different extension agreement. On the document that I gave you numbered 7 --
A Yes, sir.
Q -- there actually --
A There are two extension --
Q There are two extension agreements, right. So I assume that, yes, this letter is in connection with the extension agreement that appears on the top of page which is to say the one that has number 5116 on it?
A Yes, sir.

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Q And says loaded 11/13/85?
A Yes, sir. Would you notice also that says JG?
Q I was going to ask you --
A I think that's JG.
Q Who is JG?
A Well, I don't know who JG is. I would think maybe Steve Gramling, but it looks like a J to me, it doesn't look like an S. But I was looking at it and thinking Steve Gramling. It looks like JG to me; I don't know a JG.
Q I thought that first character was a J also. So you don't know who a JG would be?
A No, sir.
Q Referring to that same document, there is a box up in the corner that says "dealer"?
A It is not -- that box was impossible to use. The way that is written up there, I would say the top -- the top initial is an officer, the bottom initial is the note clerk that actually prepared the agreement.
Q So SG would be Steve Gramling?

A That would be my assumption.
Q Now, again, this document says loaded 10/11/85, so is it safe to assume it was probably completed right about that date?
A Are you looking at the top extension agreement, sir?
Q I am.
A Mine says loaded "11/13/85."
Q I misspoke. Yes, I am looking at the 11/13/85 notation.
A Okay. All right.
Q So then the date lower down, where it says 10/11/85, do you see where it says that to the left of the approval, "lien"?
A Yes, sir. Yes, sir.
Q If that's supposed to represent the date on which the form was completed, that would be inaccurate?
A To my way of thinking, it should have said 9/30/85 there, but it may be the date that it was prepared. I am not certain on that.
Q But it is safe to say the form was probably



completed and filed sometime in mid-November of 1985?
A It was received by the bank, loaded on to the system. I feel certain that that was on the 13th of November, as on this document.
Q That would be consistent with the letter you received from Marlon Jackson dated November 1st, 1985?
A Yes, sir.
MR. BARTOLOMUCCI: We will pause for just one second so the court reporter can load up some new tape.
THE WITNESS: Okay.
(Discussion off the record.)
BY MR. BARTOLOMUCCI:
Q We were talking about the 1985 extension agreement, and the letter that --
A Excuse me, could you wait just a moment, please. Let me get my glasses.
Q Sure.
(Pause.)
Now, as I read this November 1, 1985 letter that Marlon Jackson wrote to you, it looks as though

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he was asking or telling you to approve the extension agreement. Is that how you interpret the letter?

A I am reading it.

No, sir, I would not, because the extension -- he has the extension agreement so I think it had already been prepared and in doing so, and sending it to the governor, it was approved. Whether it was, you know, initialed, I am not sure, but I think the preparation in sending it to the customer implied approval of the transaction.

Q What do you make of the fourth paragraph where it says "After making appropriate approval of the extension agreement, then return it to me"?

A I read exactly what it says, just the way you do, but I think that the approval or the extension arrangements were made before the extension agreement was sent out.

Q So you are guessing that some arrangements for an extension had already been made, but it wasn't formally approved?

A Well, I would assume that since he starts off by saying "I am enclosing extension agreement," I

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assume it had been prepared and sent to the governor, and the governor had already signed it. He says "the governor had signed it yesterday."

Q But you don't have any specific memory of receiving this letter; is that right?

A No, sir, I do not.

Q And you don't have any memory of dealing with Marlon Jackson about a loan extension?

A No, sir.

Q Did anything in the letter strike you as unusual?

A I really --

Q Did you think it was unusual that the bank commissioner was involving himself in a private loan the governor had at a bank?

A If he did, yes. If -- you know, the governor's office sent it over to him or something -- I don't know how he got this.

Q It seems apparent from the letter that Marlon Jackson was handling the extension agreement; right?

A Well, I think the extension agreement

originated at the bank. I don't know how he got it.
Q Well, why would Marlon Jackson have been involved at all?
A I don't know.
Q I mean, the bank commissioner is not the governor's private banker, is he?
A Normally not.
Q And Marlon Jackson no longer had any formal position at the Security Bank of Paragould, did he?
A No, sir.
Q So do you have any concern about whether it was proper for the bank commissioner to be interceding in connection with a private loan that the governor had?
A No, sir, I do not, primarily because I don't know if he was. I can do like you, I guess you are doing, unless you know more about this than I, speculating that he was handling the governor's banking business.
But I really don't know how he came to have this or how he got involved in it. I am just reading the letter, as far as I know, for the first time



today.
Q It appears to be true from the letter he obtained the extension agreement from the governor, sent it to you, and he was asking you to return it and he would give it to the governor?
A Yes, sir.
Q That's some involvement there; isn't it?
A Sure.
Q That wouldn't be part of the bank commissioner's state duties, would it?
A Well, I am not going to speculate on the banking commissioner's duties or anything like that. I have never been the banking commissioner. I don't know. Yes, it would be unusual, to say the least, that the banking commissioner would be the governor's private banker. I'm not sure that's the case. But you've asked me would that be unusual and the answer I have given is yes, it would be.
Q You can't think of any other occasions during his tenure as bank commissioner, Marlon Jackson involved himself in a loan at the Security Bank?

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A I cannot.
Q What was your answer?
A No, sir, I cannot.
Q Now, the letter references that, according to Jim McDougal, he was going to -- McDougal was going to forward a check for $2322 to represent interest due and he was also going to make a $5000 principal reduction. Do you see that part of the letter, paragraphs 2 and 3?
A Oh, yes, yes, I see it. I wasn't seeing the interest numbers initially, but yes, I see that.
Q I just wanted to use that as a springboard to look at the next two documents which are numbered 10 and 11.
A Right.
Q The first is a letter from Jim McDougal addressed to you, dated November 8, 1985; and document 11 is a check from Whitewater Development Corporation, Inc., dated November 7, 1985, payable to Security Bank; that is a check in the amount of $7322.42.
Do you see those documents?

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A Yes.
Q Do you remember receiving this letter or this check from Mr. McDougal?
A I don't think I have ever seen either of these documents before today.
Q Do you have any -- so you don't remember getting a letter from Jim McDougal?
A No, sir.
Q Would it be normal for you to receive a letter like this which enclosed a payment on a loan, or would that have been intercepted by someone also at the bank and handled?
A The mail was normally worked by two people, and mail that had checks would normally have gone to the note department.
Q So do you think it is possible this letter wouldn't have made its way to you, or do you think it probably would have?
A In November of '85, I don't think it would have. I was still getting mail relative to the loans because I had been in the loan department. And this were still loans there that I had originated and

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serviced, but I was no longer in the lending area today.

Q Now, you said you were in ag lending or agricultural lending; is that right?

A Yes, sir.

Q What would constitute an agricultural loan?

A Let me clarify what I had said. When I went to the bank in '79, I was in agricultural lending. Bill Fisher was in charge of the total lending function at the bank at that time. And Bill left the bank -- and I don't remember if it was -- you know, I don't remember the date, but it was '81 or '82. When he left the bank, then I was in charge of the lending function of the bank which included agricultural lending, from that time until I moved over to the operations side of the house.

Now, back to your question, the agricultural loans that we dealt in, or that we originated, were basically crop production loans, short-term loans that originated from the middle of January to the middle of March, to be paid from the middle of October to the middle of December. We had

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a few intermediate-term loans secured by farming equipment, and a very few longer-term loans secured by farm land.

But, far and away, most of the lending activity was production loans.

Q I guess I am wondering why you would have had any involvement in this loan then.

A Because at the time this loan was made, I was in charge of the lending function of the bank, not just the agricultural lending. When Bill Fisher left, I took his position as the person responsible for the lending activities of the bank.

Q Thank you for that clarification.

Returning to the two documents at hand, the letter and the check, you don't have any memory of seeing the check before?

A No, sir. No, sir, I do not.

Q Do you remember whether you or someone else at the bank made a demand for a payment on principal about this time?

A I did not.

Q Do you have any memory about there being a

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need for a principal payment to be made?
A No, sir. It is normal to require, you know, principal reduction at the time the loan matures. If it is not going to be paid in full, it can be at least partially paid.
Q Now, our records indicate that, from the time the loan was taken out on September 30th, 1983 until November of 1985, so we are talking a two-year period, there had been one principal payment in the amount of $2000 in that period on this loan for better than $20,000.
Is that how you would ideally like to see a loan performed?
A Well, a hundred percent ideal would have been payment in full. Many loans do not pay -- single payment notes are notorious for not paying in full on the due date than monthly pay notes.
You are talking about the time frame, from the time it was made till November of 1985? Is that the time frame we are talking about?
Q Yes. You see the check --
A There was more than that, wasn't there? If

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they paid 5000 on it in '85 and $2000 in '84, the note should have been down to $13,000 by that time.
Q No, that's right. I meant prior to the receipt of that check, which included a $5000 principal payment.
A Okay. All right, I am with you.
Q So we are talking until that happened, basically the loan had been around for two years?
A Yes, okay.
Q And $2000 had been paid in terms of principal?
A When you say it like that, it sounds like it had been there a long time with very little reduction. But remember, it was a single pay note. It had two maturities; one in September of '84 and another in September of '85. And it is quite common that nothing be paid on note until it is due; this note did not require any principal reduction in the interim.
Q Well, apparently September of 1985 came and went, and there was no payment?
A Right.

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Q There was a payment in November of '85?
A Right.
Q I guess I am trying to jog from your memory whether following or in connection with the extension Security Bank made some demand for a principal payment?
A Oh, I am not sure. I am sure that I remembered, you know, doing collection activity on the note when it came due in '84. I am pretty sure I did nothing in '85. Now, whether another officer in the bank worked it as a collection item, I don't know.
Q Let's look at the 12th document I sent you. It is another notice of payment due.
A Is it important I keep these in order? Are we going to go back and look at them again?
Q I don't think we are.
A I am trying to keep them in order. Number 12, I have it.
Q It is a notice of payment due dated November 20, 1986. It reflects that the balance on the note is 13,800; and that the due date was

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9/30/86?
A Yes, sir.
Q And just for the record, it has Bates number DKRT 700302.
Do you have any memory of the note being past due in 1986?
A No, sir.
MR. IVEY: I'm sorry, what was the date?
MR. BARTOLOMUCCI: November 20, 1986.
BY MR. BARTOLOMUCCI:
Q So, nothing reflected on this past due notice triggers your memory with respect to what was happening with the note?
A No, sir. No, sir, it doesn't.
Q Would you have been concerned at that point, if you were aware in November of 1986 that the note was due back on September 30th?
A Yes, sir.
Q So is it likely some action was taken?
A I think it is most likely that this was being handled by some other officer of the bank, because I have no recollection of it. And you are

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right, had I been in charge of this note, I would have been aware and I would have been concerned. I would not have been concerned about whether or not it would be paid; I would just be concerned that it wasn't proper to leave it past due.

Q Now, we know that there was the $5000 principal payment in November of '85, and that there had been a $2000 principal payment before that --

A Okay.

Q -- which would -- that $7000 would have brought the principal and the note down to 13,800, which is the same sum reflected on this document; right?

A Yes, sir.

Q So it is safe to conclude from that that no principal payments were made between the time of that November '85 check and the time that this notice went out?

A That's correct.

Q So for a year there were no principal payments?

A Right.

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Q I am just going to go quickly through the documents that remain.

A Okay.

Q You left the bank in 1987; is that right?

A Yes, sir.

Q Do you remember what time you left -- did you say February?

A Around the 1st of February, yes, sir.

Q Do you see document 13?

A Yes, sir.

Q Well, let's look at 14 at the same time. These appear to be the papers for another one-year extension.

MR. IVEY: Do they have Bates stamp numbers?

MR. BARTOLOMUCCI: One of them does; one of them is DKSN 010517.

MR. IVEY: That is Exhibit 13 or 14?

MR. BARTOLOMUCCI: That is 14. And I will just describe these for the record. They are Security Bank documents. They say promissory note. The first one is dated January 29, 1987; the second

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one is undated. And they appear to extend the Clinton loan for a year from September 30th 1986 to September 30th, 1987.

BY MR. BARTOLOMUCCI:

Q Other than the fact that these documents are not fully completed, is there anything remarkable about them to you?

A In looking at these two documents, it looks to me like maybe one was prepared in order for the other one to be typed. One of them is a typed document, looks like the reproduction of the handwritten document. And I say that only because they say the same thing.

MR. BARTOLOMUCCI: Now, the other documents I have are subsequent to February of '87. So in the interests of economy, I think I will not ask you anything about them since you weren't at the bank at that time.

So I will turn this over for now to my colleagues here, and I may have some follow-up questions after that.

But before they begin, did you want to take

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a break or do you want to keep going?

THE WITNESS: I am fine, sir. Thank you.

EXAMINATION

BY MR. IVEY:

Q I appreciate your time, I want to be as brief as possible but I have a few follow-up questions to ask.

A Okay.

Q One is, with respect to the documents that were sent to you, how many additional documents do you have that we haven't discussed so far?

A I don't have any -- you mean in that stack?

Q Yes, sir.

A Oh, I have numbers 15, 16, 17, 18, 19, and 20. I guess I have five; a couple are more than one page.

Q Could you tell me what document 15 is?

A It's a loan application, Security Bank loan application.

Q Does it have a date?

A It's dated 3/5/87.

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Q And is there a number down at the bottom that is stamped on it that would not have been part of the bank stamp?
A No, sir.
Q No additional numbers or anything that look unusual to you?
A Nothing I see, no.
Q All right. And what's document 16?
A Okay. 16 is a promissory note dated 3/5/87, and it has a number at the bottom, DKSN 004125.
Q All right. What about document 17?
A That is a personal financial statement dated March 24th, 1987.
Q Does it have a stamp number on it?
A No, sir, it does not.
Q Okay. What about number 18?
A That is a letter dated March the 27th, 1987, and I see no number on it, either. It says "produced by the RTC to the House Committee on Housing and Financial Services," but I don't see a number.

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Q Can you tell me who wrote the letter and who it was addressed to?
A The letter is addressed to Ms. Hillary Clinton and signed by Marlon Jackson, bank commissioner.
Q All right. What about number 19?
A Number 19 is an extension agreement dated 4/1/88. It has no unusual numbers on it, but it extends a note from 3/5/88 to 3/5/89.
Q And what about number 20?
A Number 20 is an extension agreement date dated 4/1. I don't see a year. I don't know if it had no year; if it was cut off with the copier. It extended 3/5/88 to 3/5/89. One might believe the same thing I said about the other document a while ago.
Q What was that, sir?
A Well, document number 19 is handwritten. Document number 20 is typed and it could well be a typed version of document number 19.
Q I see.
A It seems to have the same information, same

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dates on it.
Q And you received this information by fax or by mail?
A I received it Federal Express this morning about 10:30.
Q So it was sent yesterday?
A I am not sure. Let's see. It was sent 27th April at 10:36, which I guess would have been Saturday.
MR. BARTOLOMUCCI: Let's go off the record for a second.
(Discussion off the record.)
MR. IVEY: Let's go back on the record. I appreciate you going through that for me. I had requested a copy of these documents in advance of the deposition, and I assume that there was some logistical issue or problem that prevented that from happening so I wanted to go through just for my benefit to know what documents were there.
THE WITNESS: Yes, sir.
MR. IVEY: So I thank you for your time on that.

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THE WITNESS: Yes, sir.
BY MR. IVEY:
Q Now, sir, with respect to the loan that we were discussing initially?
A Yes, sir.
Q You said that a one-year note was common for these types of loans?
A Yes, sir.
Q I think you also mentioned that the fact that it was unsecured was not uncommon either?
A Right.
Q Do you have any evidence, or do you have any recollection, of any special treatment being accorded to this loan by virtue of the fact that it was a loan to Bill Clinton?
A No, sir.
Q Now, sir, with respect to the financial statement that was discussed earlier, that was the financial statement from the Bank of Cherry Valley?
A Yes, sir.
Q Now, my recollection of what you said was that this statement was about six months old at the

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time that the loan was given to Mr. Clinton?
A Yes, sir.
Q And that there was nothing unusual about taking a financial statement from another bank, under this circumstance, the fact being that it was less than a year old?
A Yes, sir.
Q And did the financial statement provide you with the type of information that you normally would have wanted during the loan application process?
A Yes, sir. It was a fairly simple statement of assets and liabilities and net worth, with supporting information concerning banking relationship, a breakdown of some of the assets, a list of those add-ups that make up the assets, had a list of stocks and bonds, had a list of real estate properties, and a list of banks where accounts were maintained.
Q Yes, sir. So I take it it was not of concern to you that this was a financial statement to the Bank of Cherry Valley?
A No, sir.

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Q All right. Now, sir, you were also asked a question about false statements, and I believe it was with respect to the financial statement. I think you said that it would have been illegal for a false statement to have been made on one of these forms. Do you recall that, sir?
A Yes, sir.
Q To the best of your knowledge, are you aware of any deliberately false statements on any of these documents that you've looked at today?
A No, sir, I am not.
Q Now, sir, with respect to the past due notices that you were questioned about earlier, I believe with respect to the '84 loan, you first mentioned that two notices had gone out, I believe it was October 5th and October 15th; is my recollection correct on that?
A I believe that's right. I am looking for the notices.
Q Take your time.
A Yes, sir. One went out on October the 5th, another followed on October the 15th.

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Q All right. And you said that these would have been computer generated, and would have been sent out automatically?
A Yes, sir.
Q You also mentioned, I think, that it was common for single pavement notes, like the one that we have been discussing with respect to Mr. Clinton, to go for the period of one year without a principal payment being made, until at or about the date of maturity?
A Yes, sir. I think it most common for single payment notes not to have any payments until they mature.
Q So that didn't strike you as unusual in this case?
A No, sir.
Q And I take it that the fact that this common occurrence with respect to payments occurred on a loan to Mr. Clinton didn't mean that he was being accorded any special treatment?
A No, sir.
Q Do you know if this loan was ever repaid in

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full?
A No, sir. I am not sure.
Q Given the interest rates that you've seen on the original loan and the extension agreements, would it be your recollection that these rates were consistent with interest rates that were being accorded to other borrowers from Security Bank of Paragould?
A Yes, sir. The original loan?
Q Yes, sir.
A In September of '83, the rate was 13-1/2 percent. I don't remember all of the rate structures, but rates had begun to come down from there, from their high point in '81. So I would say that was probably the prevailing rate.
Q So is it your understanding that, with respect to the past due notices, the note matured and these automatic notices were sent out as they would be with any other overdue loan?
A Yes, sir.
Q So is my understanding correct then that there was no special treatment accorded to this loan

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in this respect either?
A Not to my knowledge.
Q Now, sir, with respect to the letter from Mr. Jackson, I take it from your previous testimony that Mr. Jackson is a man that you have known for over 30 years?
A Yes, sir.
Q And you have worked with him on two occasions?
A Yes, sir.
Q So you know him very well?
A Yes, sir.
Q And you have had a chance to take a look at this letter that he sent to you. And I take it that you two had, at the time this letter was sent in 1985, a relationship where he could have picked up the phone and called you and spoken to you very candidly about things?
A Sure.
Q But it seems from your previous testimony, that you really don't have much recollection of either this letter or whatever events may have

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surrounded it at the time?
A I don't remember ever seeing the letter.
Q So I take it this letter didn't make a big impression on you?
A Well, no, sir, I don't remember seeing it. I am not sure that I ever have seen it before today.
Q Okay. Do you recall any attempts by Mr. Jackson to improperly influence you or anyone else at the Security Bank of Paragould with respect to this loan to Mr. Clinton?
A No, sir.
Q And I take it that if that had occurred, that's something that you definitely would remember?
A I would have remembered, yes, sir.
Q Do you think that Mr. Jackson is the type of person who would try to do something like that, improperly influence --
A No, sir.
Q If I could have just a moment to review my notes, I may be done.
Let me ask you a question about the letter from Mrs. Clinton. Let me find it myself, here. I

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apologize for the delay, but if you could give me just a moment.

When you testified a moment ago, you were read a piece of the letter. Was this letter a copy of this letter sent to you in the package that you got?

A Yes.

Q Now, I take it from your testimony that you weren't privy to the conversation between Mr. -- apparently Jim McDougal and Mrs. Clinton that this letter seems to reflect; is that fair?

A Yes, sir, I never heard of it.

Q This is the first time you have seen this letter?

A Yes, sir.

Q It does reference here that there was a notice demanding payment, which I guess we can assume was one of the late notices that we discussed a few minutes ago, one of the computer generated late notices?

A Yes, sir, I would think so. Her letter is dated October the 22th; one of those notices was

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dated October the 15th.

Q There is a reference here in the letter to a written request to extend the note, but I take it that you had not seen that.

A No, sir, I don't remember getting a written request at all.

This is 1984, which was the first maturity that occurred on this note, and I do remember that there was a problem with an extension agreement, as I testified a while ago. I don't remember the events that led up to the payment of that, nor the eventual extension.

I do remember that one of the reasons it continued past due was there was a problem in getting the extension back to the bank.

Q Yes, sir. Now, this reference here to the written request, I guess you mentioned yourself in your answer just a moment ago, that you had contacted the governor's office, and that they told you that the paperwork, I guess, for the extension agreement had been misplaced in some way?

A Yes, sir.

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Q And I guess that could be read as consistent with the letter that was discussed here, from Mrs. Clinton, dated October 22nd?
A I'm not sure. Would you -- I am not sure what we are saying is consistent with what, sir.
Q Well, with your recollection of the conversation with someone at the governor's mansion that the paperwork had been misplaced?
A I think that is consistent with the same past due status of this note, yes, sir.
I don't know anything about a written request. But I think we are -- I think the letter, as I read it, and testimony I gave relative to the conversation at the governor's office, all talk about the same problem or the same note, number one, maturity date, October '84.
Q Your actions with respect to the loan in 1984-1985 -- well, to the extent you had actions relevant to the loan in that time period -- basically you treated it the same way you would have treated other loans?
A Yes, sir.

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MR. IVEY: I have no other questions at this time. Thank you for your time.
MR. BARTOLOMUCCI: Mr. Campbell, just a couple of logistical things.

EXAMINATION

BY MR. BARTOLOMUCCI:

Q You did sign and return to me the confidentiality agreement I sent you; right?
A Yes, sir.
Q And the Fed Ex package that you received containing the documents, was it sealed when you received it?
A Yes, sir, it was.
Q No one had opened it?
A No, sir.
Q And have you copied any of the documents that were in that package?
A No, I have not.
Q Have you showed the documents to anyone?
A No, I have not.
Q And it is your intention to return those documents to me without showing them or copying them?

A Yes, sir.

MR. BARTOLOMUCCI: Okay. That's all we have for you. Thank you very much.

THE WITNESS: Yes, sir, thank you.

(Whereupon, at 3:43 p.m., the deposition was concluded.)

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CHARLES D. CAMPBELL

CERTIFICATE OF NOTARY PUBLIC & REPORTER 72

I, JOANNE LIVERANI , the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Joanne Liverani

Notary Public in and for the
District of Columbia

My Commission Expires JULY 31, 2000

# DEPOSITION OF BEVERLY BASSETT SCHAFFER IN RE: S. RES. 120

**MONDAY, APRIL 29, 1996**

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER
DEVELOPMENT CORPORATION AND RELATED MATTERS,
*Washington, DC.*

Telephone deposition of BEVERLY BASSETT SCHAFFER, called for examination pursuant to notice of deposition, at 9:38 a.m. in Room 640–A of the Hart Senate Office Building, before SHEILA M. LYONS, a Notary Public within and for the District of Columbia, when were present:

MARK J. BRENNER, ESQ.
Majority Assistant Special Counsel
LANCE COLE, ESQ.
Minority Deputy Special Counsel
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Building
Washington, DC 20510
On behalf of the Committee.

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PROCEEDINGS

MR. BRENNER: This is a deposition conducted to Senate Resolution 120 and the resolution established a Special Committee administered by the Senate Banking Committee to conduct an investigation into Whitewater Development Corporation, Madison Guaranty, Capital Management Services, Arkansas Development Authority, and other related matters.

Section 1(b)(2)(A) of Senate Resolution 120 authorizes an investigation and public hearings into the operations and solvency and regulation of Madison Guaranty Savings & Loan and any subsidiary. We are also conducting an investigation into whether or not the White House was engaged in any ongoing investigations by any government agencies.

This is a deposition that is taking place in advance of public hearings, which, they may occur later this month and they may occur in the beginning of June. We have not decided whether or not we are going to have hearings on some of these issues, and certainly we haven't decided who the witnesses may be. If we do call you to testify a second time, you

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will obviously be contacted, by probably both Lance and me, but certainly someone from the Committee.

The stenographer will prepare a record of questions and answers. The deposition is going be treated as Committee Confidential until the commencement of hearing. Whole or part of this deposition may be made public.

Prior to the hearings, you will receive a letter from the Committee telling you that you may come to the Senate to review the transcript. The transcript will be available for your review within five days of today. You may correct the deposition and make note of any correction goes for the transcription on an errata sheet for the limited purpose of review of information, not to be disclosed for other reasons, for press or other witnesses. We have been running into some issues with this.

Since you are in Arkansas, we may be able to make it available to you, your deposition, for an errata sheet through a means other than just by coming to the Senate. That can certainly be worked out between Lance and you and me.

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If you are called to testify at the public hearings you will be provided a copy of your deposition four days in advance of your testimony. And again, it's for the limited purpose of preparing yourself for public testimony. It's not for release to the press or to other witnesses, or to be disclosed for other reasons.

Since you have testified before, there has been some -- since you have testified to some issues before, there has been some new information which has come to the Committee's attention, and that is why we have asked for your deposition today.

You may be represented by counsel. As we discussed off the record, I know that you are not represented by counsel. Objections as to the form of the question will be noted for the record. There are two grounds upon which counsel may object and give an instruction not to answer: Privilege and scope.

Mr. Cole, while I'm asking the questions, may have certain objections to scope issues and you may have certain questions as to scope issues. And at that point, the objection will be made, and if you

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refuse to answer the question the Committee Chairman, Senator D'Amato, will rule on objections in the case where we can can't agree.

At this point, I'm going to ask the reporter to swear you in, Mrs. Schaffer.

Whereupon,

BEVERLY BASSETT SCHAFFER

was called as a witness and, having first been duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. BRENNER:

Q Would could you please state your name for the record.

A Beverly Bassett Schaffer.

Q And do you like to go by Beverly Schaffer?

A That is fine.

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Q From the time that I contacted you and you were noticed in the deposition, have you had any conversations with anybody, other than your attorney and family members, about the substance or subject matter that you have been asked to testify about since you last appeared?

A No.

Q Without telling me what you have been asked or what you have said, could you tell me whether or not you have been interviewed or questioned under oath by any investigative agency or individual about the substance or subject matter of our inquiries?

MR. COLE: That is a pretty broad question, if she knows what the subject matter of our inquiries encompasses.

THE WITNESS: Well, Lance, I guess that is a point I need to clarify as well, because since I don't know what the scope or the subject matter is of this particular deposition, I think we need to clarify are we talking about the scope of the entire investigation, like the Senate Resolution generally.

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BY MR. BRENNER:

Q Yes, the first question I asked was the Senate Resolution generally.

A So the question is have I been interrogated by any investigative agency concerning matters subject to Senate Resolution 120, for what period of time, ever?

Q Since December of 1993.

A December of 1993. Okay. I guess I'm confused. We are talking about any federal or state or any investigative authority of any kind, is the question --

Q That is the question.

MR. COLE: So that would include representatives of the Federal Bureau of Investigation working with Special Counsel Fiske or Independent Counsel Starr?

MR. BRENNER: Yes, that's correct.

THE WITNESS: December of 1993. I have testified before the grand jury pursuant to a subpoena from the Independent Counsel.

BY MR. BRENNER:

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Q Okay. That answers the question.
Have you talked to anybody from the Eastern District of Arkansas, the U.S. Attorney's Office in the Eastern District related to Madison Guaranty or the oversight of Madison?
A Who would that be?
Q Who would be in the Eastern District?
A Yes. I mean, this is very confusing. Are you asking have I had any conversation or been interrogated by?
Q I'm asking if you have been interrogated under oath by anybody from the U.S. Attorney's Office in the Eastern District of Arkansas?
A No.
MR. BRENNER: Okay. I'm going to avoid going through the litany of background questions that we normally ask at this point, education, et cetera, in light of the fact that you have testified before the Committee. I think Mr. Cole will be pleased to hear that.
MR. COLE: I have no objections to proceeding on that basis.

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BY MR. BRENNER:
Q Make it as expeditious as possible, Beverly. Are you okay?
A I'm fine, Mark.
Q Okay. I'm going to start right in. Now, since you testified in January, January 25, 1996, since the time you finished testifying, did you talk to anyone from the White House about either your testimony or anything related to Senate Resolution 120?
A Anybody at the White House?
Q Yes, anybody employed in the White House.
A No.
Q Anybody employed in the Executive Branch of the federal government?
A I don't think so.
Q Do you know if Archie Schaffer, your husband, has talked to anyone from the White House?
MR. COLE: I don't know that it's appropriate to ask Ms. Schaffer to speculate about what her husband has or hasn't done.
MR. BRENNER: I didn't ask her to

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speculate.
THE WITNESS: I don't have any idea. I doubt it. About the substance of it? You see, that is where I want to make sure that we understand the difference between the fact of my testimony and the substance of my testimony.
The fact that I testified may have been the subject of a comment here or there, but in terms of the subject of it, I would say since that was a matter of public record, if anybody commented on it, it would be something they saw, you know, when it was on C-SPAN. But if he did, I don't remember him telling me.
BY MR. BRENNER:
Q I will ask the more general broad question, either substantive, including both substantive and the fact of the testimony; and then the more specific questions.
Now, did you have an opportunity to see any of the hearings with Mr. Gearan or Mr. Ickes?
A I did. I saw a portion of Mr. Gearan's testimony and some part of Harold Ickes's testimony,

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but not all of either of them.
Q Did you talk to anyone about that testimony?
A Not that I -- other than my husband, well, I may have talked to members of my family or friends in general, commented on one thing or another that they said. But if I did, it doesn't stand out in my mind. I mean, I didn't make any note of it. It doesn't, if I did, it was just in passing, to friend or family. I don't recall any other conversations about the substance of what they said.
Q With regard to friends you may have spoken with, would that have been anyone from Wright, Lindsey & Jennings?
A I don't remember having a conversation with anybody at Wright, Lindsey & Jennings about it.
Q Okay. After your testimony, did you talk to anybody that you know to be affiliated with the Clintons about your testimony? And that would include Betsey Wright, who is not at the White House, but who is certainly a longtime friend and supporter of the Clintons.

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A I haven't talked to Betsey since I testified, no.
Q How about Skip Rutherford?
A No, I haven't talked to Skip.
Q Have you talked to John Tisdale?
A I don't think I have talked to John about my testimony. I don't think, I'm not sure I have even talked to John since I testified.
Q Okay. Just so it's clear, it's not just that you didn't talk to John about what you testified to, but you haven't talked to John generally about anything related to Senate Resolution 120?
A Since I testified?
Q Yes.
A I don't think so. I mean, I don't remember having any conversation with him about it. I don't think so.
Q In a meeting on January 6, 1994 in the White House, a meeting that was discussed fairly prominently in the testimony of Mr. Ickes and Mr. Gearan, there is a notation that "Beverly Bassett letter/info, BL-Waldman, get a lawyer to check out

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law on issuance of preferred stock-did anyone contact" -- oh, I'm sorry. Now let's get to my question.

Did anyone contact you in January or February of 1994 about any of the preferred stock or other securities department issues?
A Anybody from the White House?
Q Anyone generally?
A The only person that I have talked with about it whose name has been mentioned -- let me clarify this.

There are a lot of reporters who ask me about it, who I talk about, and I'm sure you are not interested in those individuals names. But as far as the names that you have mentioned to date, of people who you may be interested in that I talked to, John Tisdale was the only one of those names that I can recall that I may have talked to about that, those issues since January of '94.
Q Did you meet with Mr. Tisdale, or did you have an in-person conversation or on the phone?
A Probably talked to him on the telephone,

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since I was working in the Fayetteville office then and he works out of the Little Rock office of Wright, Lindsey & Jennings so I imagine it was by telephone.

Q He may have come up to Fayetteville?

A Well, I periodically went to the Little Rock office on somewhat of a not regular, but every now and then basis, even while I was working out of the Fayetteville office. So I would have seen John, on occasion, just during the times I was in the Little Rock office, even though I worked out of the Fayetteville office.

So we have had occasion to see one another during that time period without making special arrangements to do that.

Q Now, you had said that of the names I had mentioned that that was the person you recalled. Do you recall talking to anyone else who may be affiliated with the White House, either who works in the Executive Branch that you know from Arkansas or who you know to work closely with the Clintons?

MR. COLE: About what?

THE WITNESS: The time period in question

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is January of 1994; is that correct?

BY MR. BRENNER:

Q Yes, January, February of 1994. About your work on the preferred stock issue or other securities department issues that would relate to either Madison or Lasater & Company or any other part of Senate Resolution 120. And I realize that is a broad question.

A Yes, so I want to be sure that I don't give a very narrow answer as well. But in terms of my memory of any significant conversation or any conversation that would be beyond cursory comment or two would have been with John Tisdale. I don't remember having a conversation with anybody at the White House, or on behalf of the White House, during that time.

Q When you talk about a "cursory comment," do you mean -- I guess I need you to define that.

A Mark, I can hardly go to the grocery store without somebody stopping me and commenting about the subject of Senate Resolution 120, so I just need to be careful about making blanket denials of no, I

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haven't discussed that or I didn't say that, because most certainly in a casual way, I may have.

But that is why I'm just -- I want to be careful about my answer, but that is what I really mean --

MR. COLE: I think it would make it easier --

THE WITNESS: -- about being in the hallway and somebody will stop me and comment about it. But those would not be conversations in which we were discussing the details of my testimony or the details of what happened during the '80s and that sort of thing.

BY MR. BRENNER:

Q Okay. I guess the way we will define it, because we need the clearest record possible, is that a cursory comment would be nonsubstantive conversations, such as can you believe this or did you see that or did you read that?

A Right.

Q Not related to -- I would like to limit the cursory comments to anyone that isn't related to or

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whose name you haven't heard from me or from the Committee.

Well, in other words, a cursory comment by the President is different that a cursory comment when you bump into someone in the market. So I would like you to include cursory comments, if you can remember them, to the extent you can remember them, with people like the President.

A Sure. During that period of time, of course during that period of time -- I think I testified earlier this year -- in January of 1994, during a visit to the White House, my husband and I did have occasion to see the President. And I think I testified earlier this year that he did comment to me that he was sorry about everything that had happened on these matters, to me, and the things that I had been put through, and that he was sorry this had happened and apologized to me for all of it.

And that may or may not be a cursory comment, but I understand that from your perspective it is one that you want to know about, and I have testified to that and that is the only communication

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that I can remember having, during the time period we are discussing here, with somebody from the White House about so-called Whitewater matters.

We didn't discuss what happened in the '80s. This was a comment about process more than substance, and in which he apologized to me about everything that had happened.

Q Yes, I did read that.

A All right.

Q During January and February of 1994, I had asked you whether or not anyone talked to you about preferred stock or the Arkansas securities department related to Senate Resolution 120. And that question should include any potential investigation that, just around the time that the White House asked for the appointment of an independent counsel.

Did anybody from the White House or you knew to be affiliated with the White House contact you about the fact that there may be an investigation by an independent counsel or by the Department of Justice into some of these matters?

A No.

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Q And when I say that, that includes Betsey Wright?

A Yes, I haven't talked to Betsey about this, about anything directly with Betsey during this, well, since then, during that period of time and since then.

So no, no one from the White House made any comment to me about a potential investigation or no one on behalf of the White House that I'm aware of. I think during that period of time it was generally known that there would be an independent counsel likely appointed, just from news media reports. That is how I learned of it.

Q And you had said that you didn't speak directly with Betsey since that time. That time --

A You had been asking me about the period January and February of 1994, and I think the point that I'm making is I don't think I have had a conversation with Betsey during that period of time or since then.

Q When do you recall was the last time you spoke to Ms. Wright?

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A Well, probably sometime while I was still securities commissioner, prior to the presidential campaign.

Q Do you recall speaking during January and February of 1994 about any of the issues related to Senate Resolution 120, and including a potential investigation? And I will give you a list of names, do them one at a time.

Do you recall speaking to Bruce Lindsey?

A I don't remember talking to Bruce about the subject matter, but I probably did, if I saw Bruce. If I saw Bruce during that period of time, say, January or December of '93. We may have exchanged comments about the fact that Whitewater or the news media and Whitewater was driving us crazy or something to that effect. But as far as discussing the substance of it or details concerning any of the issues about Senate Resolution 120, Bruce and I didn't discuss so-called Whitewater matters in that way. But I don't want to rule out the possibility that we exchanged comments about the fact it was an irritant that wouldn't go away.

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I think Bruce was at the White House in January of '94 when my husband and I attended a movie there with the President. I believe Bruce was there that night as well, and I don't want to rule out the possibility we might have exchanged comments or commiserated about so-called Whitewater matters at that point. But beyond that, I don't remember any discussions in any kind of detail with him.

Q How about Jim Blair, do you recall talking to Mr. Blair about any of these issues during January and February of 1994?

A I don't remember talking to Jim during that period of time about these issues. I really don't. I don't think we did. Like I said, in a social setting, there may have been some comment in passing about it. At the basketball game in December of 1993, there may have been some comment about it, but that is the extent of what I can remember, so we must not have had any meaningful discussions.

Q How about Mrs. Barry, Paul Barry?

A No. Paul, in January of '94 -- Paul is the individual -- he is a friend of mine and my husband's

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who we went to the White House with to attend the movie that I have mentioned earlier. Paul was in Washington at that time and we went over to the White House with Paul and his wife. And we may have, there is no doubt we mentioned the fact that Whitewater was a continuing irritant for all of us, and commiserated with one another. But I don't think I have ever had any discussion in any sort of substantive way with Paul about Whitewater.

Q How about Bill Kennedy?

A No, I haven't talked to Bill Kennedy in years.

Q And Paul Begala or Harold Ickes or Skip Rutherford, or any of those --

A No, never talked to Harold Ickes, never met him. Mark Gearan, is that one, did you say him?

Q I did not say Mr. Gearan, but I would include him in that list. I said I believe Mr. Ickes, Mr. Rutherford, Mr. Waldman, and we would include Mr. Gearan.

A Okay. Well, Mark Gearan and the other individual whose name you said that maybe works with

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Mark Gearan, I don't know those two people and I'm sure I have never talked to them. I have never met them.

And Skip, it's possible I talked to Skip in January of '94 directly, although I think it probably is more likely that he visited with my husband, who passed along the conversations to me. But I may have had a brief conversation with Skip during January of '94. I am certain he talked to my husband during that time.

Q Do you know generally what he talked to Archie about?

A He was interested in finding out what Archie thought about the possibility of me having a press conference, or generally finding a way to respond to the press's inquiries about my so-called role in Whitewater and answering questions the media had about that, and just generally discuss what -- or ask, that is probably a more accurate description -- ask Archie what he thought my reaction would be to doing that.

And they generally discussed the pros and

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cons of doing that, and he, Archie, related that conversation to me.

Q Do you know anything else about that conversation?

A Well, no. I think it was pretty casual. I don't think there was any suggestion that there was any urgency to it, or that he was speaking on behalf of somebody else or whatever. I don't remember any other details about it. Like I said, it's possible that I talked with Skip myself, but I just can't remember doing that. I have a vague recollection that I may have had a short conversation with him to tell him I didn't want to do it, but I didn't have any lengthy conversations that, such as the one he had with Archie, in which they discussed why that might or might not be a good idea and whether or not I was interested in doing that.

Q And do you know if that discussion was in person or on the phone?

A It was on the telephone.

Q Do you know where Skip works now?

A I think he works for Cranford Johnson

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Robinson in Little Rock.

Q Do you know why Mr. Rutherford would be calling Archie on this matter?

A Well, I don't know for sure what his relationship was at the time with anybody in the White House or who he worked for or in what capacity. Although I remember reading at the time that he was doing some work for Mack McLarty or helping Mack in some capacity on certain issues, and because of that, I think he was at the White House a lot during that period of time.

I think that he may or may not have had anybody in mind that he was speaking for. If he did, he didn't tell Archie. As far as I know, he didn't tell us, I'm speaking on behalf of so-and-so or I'm here at the request of the White House, nothing like that was ever said that I know of. I don't know that I asked him or Archie ever asked him why are you calling or what is your interest.

I think it was generally known that Skip was doing some work for the White House or helping Mack McLarty in some capacity, and I don't know that

either one of us thought about asking.
Q Do you remember when that conversation was?
A Well, I really don't, but I think, I believe it was in January of '94, but I just don't know if it was early on or toward the latter part of the month. I'm thinking it was toward the end of the month.
Q Well, if, for example, that had been mentioned to you before you went to the White House, do you think you may have brought it up with someone at the White House?
A Well, that is a good point because I think that left me more certain that it was after I went to the White House, but in my mind, I don't remember thinking anything about that conversation when we were there.
Q I thought that might help. So it was probably after January 20, 1994, but probably before February?
A I would say, I think that would be more accurate; yes, that sounds better. That is more likely. I think it was after that, because I'm



almost certain it was after an incident that occurred here in Fayetteville about an NBC TV crew and with Mr. Bossie. And I know he called after that and that didn't happen until, I think, January 12 of that year, of '94. So I'm thinking it must have been after, it would have to have been after the middle of January.
Q Do you recall speaking to Mr. Rutherford in the last couple months about anything including the fact that he was deposed by us?
A No.
Q How would you describe your relationship with Mr. Rutherford?
A He is a friend. I have known him for a long time, since he went to school here in Fayetteville or the university here in Fayetteville.
Q And so when he recommended -- why would he have talked to Archie instead of you, do you know?
A Well, he has known Archie a lot longer and knows Archie a lot better than he knows me. And I think probably he's just more comfortable asking Archie than calling me up and not knowing if I was

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going to, you know, throw the phone down or just be generally unwilling to talk.

I think he thought it was probably more appropriate that he just casually mention it to Archie and stop the subject if there was some vehement objection. And I think it was just a matter of comfort on his part.

MR. COLE: So that was a polite way for him to make the inquiry without putting you on the spot, perhaps.

THE WITNESS: Right. And I think that because they are friends, it wasn't, neither of them, I think, viewed that conversation as some sort of formal approach or request.

BY MR. BRENNER:

Q There are a couple more names and I will lump them together as I did on the last group. I didn't know if anybody -- Paul Begala or Mack McLarty or Mr. Buford -- may have talked to you about, since the beginning of January, 1994 through mid-to-late February, 1994, if any of those people had spoken with you or had spoken with Archie?

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A Okay. Now, I'm certain that Mack McLarty did not talk to either one of us. And the others were who? Paul Begala, and who is Buford?

Q Then Mr. Buford obviously didn't contact you.

A Well, I know several people with the last name Buford.

Q Let's talk about Paul Begala, and I will get you a first name.

A Okay. Paul Begala, I never talked to Paul Begala about this. His name was mentioned by Skip in a conversation with Archie as an individual who might -- if they came and visited with me in anticipation of having a press conference or if I were inclined to do something like that, that Paul Begala might participate in that conversation with me. We did not. We never followed up on that suggestion or never pursued it. It was never done.

So I have never -- I didn't have a conversation with Paul Begala about this, because the concept or the idea was never followed up on.

Q You said Paul Begala's name was mentioned

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by Skip to Archie as someone who may come visit you to talk about some of these issues?

A Right.

Q Was any other name mentioned?

A No -- oh, now, yes. Bruce Lindsey. I think basically what Skip had in mind was if I was interested in having a press conference or wanted to find a way to deal with these questions from the media, that he, Skip, could put or would suggest that he and Bruce Lindsey and Paul Begala come visit with me and basically let me tell them what I had been telling the press for two years and just listen to that so they would know the whole story as well.

And I think the idea was that they could help me prepare for such a press conference, but we didn't -- my husband and I, that is -- particularly like that idea and we didn't particularly want to have Paul Begala involved in anything like that because of his obvious political connection to the '92 campaign, and because he is identified more or less with spin control for the Clinton campaign. And that is just something that I felt like I didn't want

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to be a part of and shouldn't be tied into in my responses.

Q So the names Paul Begala and Bruce Lindsey were mentioned. How about Waldman?

A I have never heard his name until actually Mark Gearan testified before the Committee this year.

Can we go off the record a minute?

(Discussion off the record.)

MR. BRENNER: Okay, Beverly, we will go back on the record. I'm almost finished with this line of questioning. Just really two more.

BY MR. BRENNER:

Q I'm curious if Glenda Cooper or anyone from the DNC in Little Rock or up here in Washington had contacted you about doing this press conference, or generally about the potential investigation in January or February of 1994?

A Now, this is anyone with the what?

Q The Glenda Cooper or the Democratic National Committee.

A Okay, I have never heard of Glenda Cooper.

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And as far as I know, I have never had any contact with the Democratic National Committee.

Q How about Susie Whittaker?

A No, I haven't talked to Susie Whittaker about any of this.

Q I'm going to ask you a couple more questions. Do you know if Archie has spoken to anyone from the DNC?

A Who has?

Q Whether your husband, Mr. Schaffer, Archie has.

A I'm sure -- I would bet yes. I don't think he has had conversations with anybody at the DNC about Whitewater or me.

Q There's some more notations in Mark Gearan's notes relating to things that Harold Ickes may have said, and it says "meeting of attorneys outside of WH," which stands for White House. And then it says "Beverly Bassett is so" expletive "important, if we" expletive "this up, we are done. Let's not talk it to death. Let's just get it done."

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Have you seen that from the hearings?

A Yes.

Q I apologize for Mr. Ickes's language as it was recorded in Mr. Gearan's notes.

Did anyone express to you or Archie that there were concerns in the White House or in the Clinton inner circle including Betsey Wright, et al., about anything which may have expressed that level of importance?

A No. I don't remember anybody in the White House, or who was speaking on behalf of the White House, or who we might have perceived as speaking on behalf of the White House suggesting that I might be or what I had to say might be that important. I don't remember getting that impression.

I certainly remember, because of the media focus on my role, that there was interest in my role, but I don't remember it being viewed by either me or the White House as being of great importance or of any greater importance, than any anybody else's role.

Q Did Mr. Rutherford discuss with you that it was important or touchy, actually, that it was

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important to get you out front on the issues; in other words, to get your statement out to the press quickly?

A Well, I got the impression that what Skip Rutherford -- what his interest was and his overture was about was to help me, that it was more in the nature of, we know she has been harassed and bombarded and sort of overwhelmed, and maybe this would help. You know, here is a suggestion, you know, if she did this and answered all the questions, then maybe that would put everything to rest and that sort of thing.

I don't remember thinking that this was an effort by the White House to get a story out there for their purposes. I just didn't -- maybe it was, but I didn't get the impression that it was more or less extending a helping hand to me has to how to deal with this.

Q At the same time when they mentioned Paul Begala, you knew him to be a spin control expert?

A Right.

Q So your last statement about the fact that

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you just felt they wanted to help you, when they mentioned Paul Begala, did you think that maybe they also wanted to control the spin, as it were?

A Well, I think obviously that is part of Paul Begala's job, and what I was thinking is that he felt like if he could listen to me and what I had to say about all this, that would help him be able to go out and say what needed to be said about all this, separate and apart from me. That before you go out and say anything, it does help to have the facts. That you are better off not going out and spinning something that isn't true, you need to at least spin the facts.

But my concern was that if I met with him or he was involved in trying to help me, then no one would ever be able to separate the two. I was inevitably linked with some sort of spin control effort and that would affect my credibility, and I just didn't want to make that connection. I didn't want to be a part of that.

I didn't think, though, that he was coming to tell or going to come to tell me what to say and

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what needed to be said. But I did have some concerns about talking with him at all, because of that.

Q There's a couple other items I want to talk to you about, about the notes and one of them says "we can't send PB, BL, MW," presumably that is Paul Begala, Bruce Lindsey, and I believe it's Michael Waldman?

A Right.

Q "It will come out." And then under that, it says "item by item make sure her story is okay." And that underneath that, it says "Tisdale question mark in Lindsey firm, Skip question mark, WH pass," which is White House pass, "PB friend, New York lawyer." Presumably that is Paul Begala, because I believe you stated earlier that you didn't, or that could either be Paul Begala or Paul Barry, "friend, New York lawyer. Quinn-arm's length."

I'm going to run through this item by item with you. When it says "item by item make sure her story is okay," John Tisdale, you said earlier you are familiar with and you did have some conversations with Mr. Tisdale?

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A Yes.

Q And those were general conversations?

A Well, John Tisdale, sometime during this same period, sometime in January of '94, came to me and suggested -- let me back up.

I think this was after I had decided that I wasn't interested in dealing with the press anymore and I didn't want to have a press conference, and I basically just wanted to back off and not have anything to do with the press on it.

John suggested that one way to deal with it would be to put together a factual, sort of chronological document, series of documents in a form that would frame the chronology of the matter for any event that could be given possibly to somebody who asked about it in lieu of me answering questions over and over again.

He suggested that it would also be of benefit in getting that information to the White House and he offered to put that together and to let me look at it and review it and make sure, make comments on it, make sure it was correct. And I told

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him that was fine with me, that I basically didn't want to take the time to even do that, but that he was welcome to go to the securities department and pull the public records, like anybody else could, and put them in chronological order, and that I didn't have any problem with that, with a factual chronology of documents in the files at the securities department.

So that's basically what John and I talked about during that period of time, and that is the document that he put together and I put together that -- well, I think the Committee has got it, as a matter of fact. But that is what we talked about.

Q And did Mr. Tisdale ever put that chronology together, to the best of your knowledge?

A Well, he put it together. I looked at it, just went over it with him, and that document is -- well, I think you-all have got it. The Committee has it, yes. I'm not sure what the date is on it. I think the White House must have produced it, but the date is sometime in '94, early '94. And it just generally in memorandum form lists a date, a

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document, you know, a short description of what it is, from, I don't know, the early '80s through, I don't even know what the last date is on Madison Guaranty documents in the files of the securities department, and action taken or letter written and that sort of thing.

MR. COLE: We have it. Mark may not have it today, but we have it.

MR. BRENNER: I know we have it. It's more the process of putting it together that I'm interested in.

BY MR. BRENNER:

Q Did Mr. Tisdale say why he was interested in putting a chronology together?

A Well, as I remember it, the way it evolved is that it was sometime after, oh, sometime after the discussions about how to respond to sort of the inundation from the press on questions about what happened, what happened, what happened. And I had indicated to him -- to John, too -- that I was fed up and I wasn't, you know, I couldn't get anything done in my law firm, that I was tired of taking questions

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and that I just didn't want to have a press conference. I didn't feel like that was my arena. I didn't want to do that.

And he suggested that he understood that and that basically there wasn't any pressure to do that and that my feelings about that were perfectly legitimate and that -- but an alternate way to get the facts out that would allow. And I'm sure that would allow also the White House to respond factually to those questions; since I felt basically like that was their duty and not mine, that if a factual document existed that listed documents that clearly, you know, on a chronological basis could be verified, that was the best way to make sure the facts some way or another got disseminated to the press and to anybody who called.

I was happy to help or to assist in that process and have it passed along to the White House because my impression was that they hadn't made a full-blown effort to get the facts and to enable them to respond to any of these questions, and because of that, I was still being asked to respond or there was

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still a need for me to respond and that truly they should get the facts, have the facts and do the responding themselves.

So basically that is what John suggested, that that ought to be done, and I had no problem with that. I fully agreed.

Q And at this time John was working for the White House, or he was working in the private sector?

A He was working in the private sector.

Q And so his role was as a conduit to the White House?

A I don't have any idea what -- whether he visited with Bruce about it or who he might have talked to about it in the White House. I didn't ask him and he didn't tell me, and I'm sure that he gave it to Bruce. I don't know whether he told me specifically that he was going to, but I mean, I assumed he would and that was fine with me.

But I don't know that I asked and I don't think he told me who he talked to about it, whether he talked to Skip or talked to Bruce, or who. I assumed that he talked to Bruce, but he did not tell

me that.
Q And underneath that it says "Skip question mark White House pass." You had stated earlier you did speak to Mr. Rutherford who is a longtime friend of yours --
MR. COLE: I think she testified she is certain that her husband spoke with Mr. Rutherford and she may have spoken with him.
BY MR. BRENNER:
Q I apologize; that Archie may have spoken with him and that you may have spoken with him. I certainly didn't mean to mischaracterize it in that fashion or in any fashion.
Do you know who Skip was working for in reaching Archie for this purpose? I'm trying to figure out why these private sector individuals, like John Tisdale, would reach out to you.
Did you view it as being on behalf of the White House?
A Not, I didn't give it a whole lot of thought, really. I don't think I thought to think who may have wanted it or thought it was necessary or



the like. I think Skip, I just sort of knew, I think we both knew that he was doing some work for the White House, either for Mack or in some capacity.
So honestly, I would have to say in the back of my mind, I guess I must have assumed that he had talked to somebody there, but I never considered it important, I guess, or necessary to know. I assumed that whatever information he was seeking was something that I had already either answered for the press or was in the public files, and so I didn't consider it particularly important to ask.
I'm sure I assumed that Skip had had a conversation with maybe either Bruce or -- I know that Skip knows Paul Begala, but I don't have any idea -- and I think Harold Ickes's or Mark Gearan's notes are the only things that would give any indication of who was discussing this at the time.
I just assumed that it was information that the White House should probably have already had and made an effort to get before that time.
Q Well, you just said that you assumed they had that information?

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A I assumed that they -- that it was information basically about what the securities department had done during the '80s on all this, that it was information they should have already gone and gotten. They should have already have made an effort to collect all those factual documents and information in order to respond to the press and other inquiries about it.

So it wasn't surprising to me that they were making an effort. I think I viewed it as positive that they were making an effort, somebody at the White House was making an effort to get the facts.

Q I'm going to read you a portion of the transcript from the January 25 hearing, and it starts with a question.

Mr. Guiffra says:

"Question: After January 20, 1993, did you speak to anyone at the White House about Madison Guaranty?

"Mrs. Schaffer: After when?

"Question: After January 21, 1993, did you

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speak to anyone at the White House about Madison Guaranty?

"Answer: Myself?

"Question: Yes. Did you ever speak to Mr. Lindsey, for example, about Madison Guaranty?

"Answer: I don't think Bruce and I talked about it."

I will ask the initial question, because somehow in that it may appear it may have been narrowed. The initial question is after January 20, 1993, did you speak to anyone at the White House about Madison Guaranty?

A So basically after the inaugural, is that January 20 of '93?

Q Yes.

A After January of '93, the question is, did I talk to anybody at the White House or in the White House or who works for the White House?

Q That's correct.

A Okay.

MR. COLE: Is there an answer, did you read her answer?

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BY MR. BRENNER:
Q I did read your answer, but I think you answered a more narrow question and perhaps Mr. Guiffra may have narrowed it to some extent. That is why we want the record to be clear on that.
MR. COLE: I'm trying to determine what we are doing here, whether we are following up on a question you don't feel you got an adequate answer to during the hearing when Mrs. Schaffer appeared, or what. You are comparing now what she said during the hearing; is that correct?
MR. BRENNER: At this point I'm trying to clarify the record on this particular issue.
THE WITNESS: Well, I think that after -- I think what I can say about that is I don't think I have had a conversation with anybody in the White House about Madison Guaranty matters since January of '93 to date, other than what I have mentioned here today or testified to in January. And those are the brief conversations with the President when I was at the White House in January, a passing remark or comment or exchange with Bruce about the fact of the

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proceedings and what all has gone on. Just the fact of it, the difficulty of it, not the substance, the details of it.
Those exchanges I'm sure I have had with Bruce since January of 1993 on occasions when I have seen him, but those occasions are probably two or three times in that, what, three years.
BY MR. BRENNER:
Q And it was a passing remark in those cases, it wasn't anything substantive?
A It wasn't -- right, we didn't talk about, just the substance of Madison and what happened, we didn't talk about that. If we commiserated, it was over just how difficult it's been and the stress and the general turmoil, and that sort of thing.
And Bruce and I didn't talk about -- he didn't ask me questions and I didn't ask him questions -- about what the White House was doing. He didn't ask me any questions about what I was doing or what I knew. He didn't ask me to go over anything that happened in the '80s.
Just like I said, one of the reasons the

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chronology was important in my mind was to reduce all of these to a series of documents and give that to them and let that be, stand on its own.

Q Do you know if Archie has had any -- by the way, so the record is clear, we can agree that substantive conversations include the potential or ongoing -- a discussion about the potential or ongoing investigation by the independent counsel, the Department of Justice, the Resolution Trust Corporation, the Small Business Administration, or any sort of related entity on the Resolution's matters?

A Right.

Q Okay. I just wanted to make sure that when we talk about substantive conversations as opposed to passing remarks --

A Right.

Q -- that --

A Well, no, I don't know of all the conversations that my husband may have had with Bruce Lindsey over the last three years, but I'm sure that he and Bruce have not discussed either my testimony

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or my status, or what subpoenas I may or may not have gotten, or what happened in 1985. That is not the sort of thing that Bruce and I or Bruce and my husband would be discussing.

So I can't rule out the possibility they talked about their feelings about these investigations, but I think that would be expected. I'm not going to rule that out, because I feel like those conversations probably did occur. But as far as a discussion about the substance of the investigation, no, I'm sure Archie would not do that. I don't think that occurred.

Q This will be the last question in this series. Is there anything about the conversations between Archie and Bruce Lindsey or any of the other people mentioned today that you have not told us, or that I have not asked you about?

A Well, to the extent that I know --

Q Of course.

A -- about any conversations they may have had, I think that the conversations have been such that I wouldn't probably recall them and neither

would he, because they were not substantive or meaningful in any way. So I can't think of anything, I certainly haven't -- if I haven't told you something, it's because it hasn't been recalled or remembered.

But like I said, I think if it were significant or substantial or meaningful, material, that I would remember them. So I have done the best I can in trying to recall those occasions when I have even seen Bruce where the subject may have come up.

Q Do you know or have you ever talked to, met or heard of John Quinn, Jack Quinn?

A No. I have never met him and never talked to him, and I just vaguely know he was; sometime he was in the White House counsel's office. That is just what I have learned basically from the hearings or the newspaper.

Q Have you ever met Susan Thomases?

A I have never talked to Susan Thomases or met her.

Q There is a "PB friend, New York lawyer." Did any lawyers from New York that you know about



contact you or Archie, either mentioning Paul Barry's name or Paul Begala's name?

A No. I have no idea who that reference is to, because I'm certain nobody during that time frame, of those people whose names or identities appear in Harold Ickes's notes, I'm certain that no "New York lawyer" contacted either one of us during that period of time.

And I'm 99 percent certain that the "PB" reference is to Paul Begala because I just don't think that any of those people probably knew who Paul Barry was at the time. I have assumed that PB is Paul Begala, and so I don't know who the friend may be or if it's a friend of his, or somebody else other than PB.

MR. BRENNER: Beverly, at this point I'm going to ask that we take another two-minute break. We have come to a point where I'm going to want to switch topics to some extent. I just want to take a quick look at my notes.

(Recess.)

MR. BRENNER: Let's go back on the record.

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BY MR. BRENNER:
Q I'm going to read you the opening couple paragraphs from an article by an Associated Press writer named Larry Margasak, dated February 9, 1996.
Did you ever speak with Mr. Margasak?
A No.
Q The body is "A former Arkansas securities commissioner says she resisted efforts by a White House aide and two men with Clinton Administration connections to get her to make public statements supporting the President and First Lady on Whitewater. Beverly Bassett Schaffer said in an interview Thursday that her response was 'no way, I don't want to be drawn into the political response.' She added 'I am sick of talking about Whitewater.' The contacts with Schaffer were made around the time a Whitewater prosecutor was appointed and they tracked a strategy laid out at a January 7, 1994 White House meeting."
Are you familiar with what this is talking about, this story?
A I have talked to Larry Margasak. He

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talked -- he apparently took that from an article that was written by an Associated Press reporter based in Little Rock by the name of Bill Simmons. And Bill Simmons did also write an article that some of those comments were contained in, although not in necessarily the same context, and I think Larry Margasak's context is a little sensational.
And so actually, after I read the article, I was a little annoyed by it and called Bill Simmons with the AP here in Arkansas and complained to him about it. And he agreed that basically Margasak took what he put on the wire and kind of rewrote the story. And the context in which my comments appear in Bill Simmons's article are a little bit different than that, but I will be happy to go over those comments that are attributed to me and clarify what I did say.
Do you want me to do that?
MR. COLE: Well, it seems to me we have already covered this, and that the factual assertions in the article are not in any way inconsistent with what you have just spent an hour and a half

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testifying about. And I really don't see the point in going over this in great detail, Mark.

MR. BRENNER: Well, I don't need to go into it in great detail. There are a few issues I would like to talk about and it won't take more than a few minutes.

MR. COLE: Let's try to move on. This is really bogging us down, I think. Let's focus in on, if you have specific things in the article you want to focus in on, let's do it but not have the story come out on what I think would be the fifth time on the record of what context Mrs. Schaffer did or didn't have in this time period. Is that fair?

MR. BRENNER: Fair enough.

THE WITNESS: Is the question -- what is your specific question about those paragraphs, and I will try to tell you what I think my state of mind was or whatever.

BY MR. BRENNER:

Q Okay. "A former Arkansas securities commissioner," you, "said she resisted efforts by a White House aide and two men with Clinton

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Administration connections."

Who exactly are they talking about?

A Well, I think what he is saying, what I called told Bill Simmons was that now, I'm not sure who he is referring to. I assume he is referring to Skip Rutherford, Paul Begala and Bruce Lindsey. That is what I think. And I think what I was telling you earlier that I told Bill Simmons was that, when they suggested the idea that a press conference might be a good idea, that I was reluctant to do it, I resisted. And I guess that is why he used the term "resisted" and in fact, I was reluctant probably rather than resistant, and I did -- was reluctant to do that for a lot of reasons.

One, I didn't want to deal with the media anymore, period. And two, I think I said earlier today, I was concerned about becoming a part of what might be viewed as a political response to this problem, and I didn't want to be part of the political response and have that diminish my credibility in terms of just answering factual questions about what happened while I was securities

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commissioner.
So I had a couple of reasons for being reluctant to do it and that is what I mean, that is what I tried to convey to the reporter; not that I resisted it because I felt it was improper or wrong or there was something they wanted me to do that I felt was wrong.
Q And none of these persons made an in-person visit to you?
A No, nobody did.
Q And your real contact was through Archie; is that correct?
A Well, the contact between, with Skip Rutherford was through Archie, and I'm thinking that maybe at some point, maybe even after Archie conveyed to him I wasn't really interested, that I might have seen Skip somewhere, or I don't know. I have a vague memory of just saying something to Skip about how I didn't want to deal with the press anymore, and I just can't put that in a time frame or context.
But that conversation, the conversation was initiated anyway, by Skip Rutherford with Archie.

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And I believe Archie and I both had concerns about this becoming a part of a political response and want to go make sure that didn't occur. And I think he conveyed that to Skip.
And somewhere along the lines, I think the idea was abandoned from the other end, because nobody came back and followed up and pushed the idea. I have a vague memory of Archie telling me something about how Skip had said they decided it wasn't a good idea either.
Q Okay.
A It just went away.
Q On December 15, 1993, you called Bruce Lindsey. Do you remember talking to Mr. Lindsey?
A No, I don't.
Q Do you know why you called him?
A Well, I have absolutely no idea. I would have called him -- oh, now wait a second. Are you sure he didn't call me?
Q He may have called you first, but this is his call sheet and I believe that that means there was a message -- and Lance could probably help me out

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here -- from you to him stating both your work and home numbers. And I say that because -- is that accurate or is that his call out sheet?

MR. COLE: It appears to be a message sheet that she called him at 11:17 a.m. and left those two numbers. This is on December 15.

MR. BRENNER: 1993.

MR. COLE: What was the date of The New York Times editorial?

THE WITNESS: It was around that time, I think it may be the 20th, maybe it was the 20th. I don't know, Mark. I have no idea.

BY MR. BRENNER:

Q Okay. Incidentally, on the same message sheet is a call that Betsey Wright left for Bruce. If you were here in person I would be able to show you the document.

It says that "Ron Fournier has called her regarding The New York Times article." Did Mr. Fournier call you as well? Is that probably why you called Bruce?

A I don't know. I don't remember talking to

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Ron Fournier, but he may have. I really had about 50 different messages from different publications during December of '93 and January of '94. So he very likely could have been one of them. He was with AP in Washington, I think. So he may well have called.

And my guess is that, if I called, rather than making a return phone call, probably was about a media inquiry and that is basically what I was doing or about all I was doing in '93.

Q Okay. You stated earlier that you haven't spoken with Ms. Wright since you left the securities department; is that correct?

A I don't remember -- I don't think I have. I don't remember talking to her during the campaign and that would have been the only other time that she was in Arkansas. So I don't think she and I talked.

MR. BRENNER: Beverly, at this point we are going to take the last two-minute break, and then I'm going to move on to a whole new topic.

(Recess.)

BY MR. BRENNER:

Q We are going to go back on the record.

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This will be my last line of inquiry. I will try to make it as brief as possible, but it will take a little time to flesh it out.

Do you know who Dan Lasater is?

A Yes, I do.

Q How do you know that?

A Well, in my capacity as securities commissioner for the state of Arkansas, I had several contacts with Dan Lasater because he owned and was employed by a brokerage firm that was regulated by our department.

Q Did you know he was a friend of or knew then-Governor Clinton?

A Did I know it at the time?

Q Yes.

A Oh, I don't think I knew it for a fact or had any sense that they were personal friends.

Q As opposed to just general?

A Oh, just acquaintances or generally. I don't think I had any impression at the time that he was anything other than a political supporter. I don't think I had any sense that there was a personal

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relationship or a friendship, or a long-term relationship of any kind. I don't really remember thinking about it, to tell you the truth.

Q Have you ever met him personally?

A Dan Lasater?

Q Yes.

A Yes.

Q When was that?

A Well, I don't know the date or the year, but I have had, you know, I have met Dan Lasater or had encounters with him probably half a dozen times, or did while I was securities commissioner.

Q Ever see him socially at parties or political functions?

A No.

Q Have you ever, as head of the securities commission, did you ever conduct any investigation or make any inquiries into Mr. Lasater's activities or the activities of Lasater & Company?

A Yes, our office did.

Q Do you recall what inquiries you made?

A Oh, I can't remember them all. We had -- I

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can't remember -- they are all investigation files at the securities department which are nonpublic so I don't know how much I could literally say about those without those files being subpoenaed and officially part of your documentation. I want to be careful that I don't violate the Arkansas law that clearly makes investigation files nonpublic and punishes employees for disclosing those. I don't want to do that.

But I know that our office did examinations on his firm, and in 1988, did an examination on a company that he was no longer employed by but that owed him, by way of a note, several million dollars. And so over that period of time, I guess it's fair to say that our office would have examined his firm periodically. And in 1988, the company that he had sold that still owed him several million dollars was sanctioned by our office, heavily. And during that particular proceeding, I probably, on at least one occasion, either met with him or his lawyers.

MR. COLE: Beverly, could I interrupt you for a moment. Because we have some time issues here

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that it may be helpful and expedite this if we lay some ground rules on time, because this, as you know, the Resolution that we are operating under here authorizes an investigation of the bond underwriting activities of Lasater & Company for the ADFA, Arkansas Development Finance Authority, and that underwriting took place beginning in '83 and continuing into '86.

MR. BRENNER: That is really the time frame we should work under.

MR. COLE: That is what I was going to say. I think there is a question -- and while Mr. Brenner and I might differ as to exactly when we draw the line, there is a question as to whether events in '88, '87, that time period, are within our Resolution. And while I don't have any objection to getting out basic facts on the record, like when Mr. Lasater's security license was revoked, I think a lot of detailed testimony about net capital issues in his firm in 1988 or something like that is probably something we don't need to get into.

And I think what Mark is really interested

in is in the period before Mr. Lasater pleaded guilty to federal drug charges in 1986, which of course was widely publicized. I think he is interested in what your office did or didn't do in this time period.

MR. BRENNER: Yes, I'm interested in the time period prior to Mr. Lasater's conviction, and I was trying to -- I will narrow the inquiry as to that point.

BY MR. BRENNER:

Q Were you aware of any capital violations by Collins, Locke & Lasater which was the predecessor firm to Lasater & Company?

A I don't remember being personally aware of it.

Q Had you been told generally about capital violations by Collins, Locke & Lasater or Lasater & Company?

A I don't think so. I mean, I don't know what -- it wouldn't be brought to my attention for any, for just general purposes. I don't think anybody would -- I mean, I don't think I understand your question. Was it brought to my attention by



whom?

Q I don't know who would bring it to your attention. I'm trying to find that out. One of the things that I'm trying to find out -- and I'm going to narrow the question I asked at the beginning because you spoke primarily of '88 -- but the real question is, did you ever conduct any investigation or make any inquiries into the activities of Mr. Lasater or Lasater & Company between the time you started at the securities commission and the time of Mr. Lasater's conviction?

A I don't have any idea; I cannot remember that, Mark. I mean, I don't know of an official investigation or examination that might have occurred during the calendar year 1985 or the first part of '86. I don't remember when he was indicted, or pled guilty to whatever he pled guilty to, sometime in 1986.

Q Would it have been likely that there would be general inquiries, as there probably were of many firms at the time?

A General inquiries by whom?

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Q Inquiries by the securities commission or other regulatory oversight bodies.
A You mean -- no, no, it would not. I just didn't -- I don't understand your question. If our office went out and did an examination, first of all, basically net capital, financial net capital is examined and overseen by the NASD.
Q Were you aware of any NASD investigations?
A NASD investigations, I don't recall. We had a number of securities firms at the time that we were looking at in addition to savings and loans collapsing.
There is no way I could remember what the NASD may have done to any one of them, the brokerage firms in Arkansas, during that period of time.
Q Did you ever have any conversation with Sam Bratton about Lasater & Company?
MR. COLE: Prior to 1986.
THE WITNESS: Prior to '86. No, I did not. I don't remember -- not that I remember. I don't remember having any conversations with Sam about Dan Lasater or Lasater & Company from '83 to

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'86.
MR. COLE: Let me give you a couple dates from the documents we have, Beverly, just to help you put the timing in context. Lasater was indicted in October of 1986; entered his guilty plea of December of 1986. But records that we have been provided by the state securities department indicate that he voluntarily terminated his securities registration on October 27, '86 and then you formally entered an order terminating his registration on August 27, 1987. If those dates help you.
MR. BRENNER: So if we could keep it between the time you became securities commissioner, and can we agree on January 1, 1987?
MR. COLE: That is fine.
BY MR. BRENNER:
Q You don't recall ever speaking to Mr. Bratton about Lasater & Company and problems they were having in 1986 with the National Association of Securities Dealers and ASD?
A No.
Q To refresh your recollection, Mr. Bratton

remembers discussing with you problems that Lasater & Company was having in 1986 with NASD and ASD.

A I don't remember that. I mean, you know, if Sam has some sort of memo or some sort of specific memory about it, I would be happy to look at it and see if I recall that, but I don't remember being or having that on the front burner during that period of time.

Q Did you speak to Mr. Bratton about any NASD investigation or inquiries about any of the Arkansas firms?

A When?

Q Generally during that time period. I don't need the specific firms, I'm trying to get the general approach.

A Well, I don't think generally that Sam and I would be talking about NASD examinations or problems. There is nothing I could do about an NASD inquiry or examination that would be going on with an Arkansas firm. I don't really know what the need would be for Sam to talk to me about an NASD investigation or examination or whatever.



I don't really know why a registered person or firm would complain to the governor's office or say something to them that would prompt them to talk to me about an examination or investigation being conducted by a federal agency and not our office.

Q And just so the record is clear, that is generally for any firm during your tenure at the securities department?

A Well, so what is the question?

Q I just want to make sure it's clear that this one isn't necessarily limited in scope in a way that the others were. And that is that you don't recall talking to Mr. Bratton to inform him about problems firms were having with the NASD while you were securities commissioner?

A Well, I don't know that I would call Sam or talk to Sam about, I didn't have a general policy about that, but I don't know that.

Why I would need to tell Sam about an NASD matter. That is my problem here with all this, is that I don't really know that I would necessarily need to report an NASD examination or inquiry. I

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can't say that I had a general policy to or not to.
When Sam and I discussed or regularly touched base about things that the department was working on or viewing, I can't say that those may not have come up in those conversations. But to make a special point of letting him know about it or telling him about it, I don't think I would.
Q If you were going to take action, if you were going to take some sort of regulatory action at the securities department against a firm, would you inform Mr. Bratton in advance?
A Not always. Possibly. I guess, I just don't remember if I did one way or another. If there was some, I don't remember thinking that I necessarily would or should or did, and maybe I did sometimes and maybe I didn't. I think it probably depended on how much time I had and what the nature of it was or whether it was, in my mind, significant. If it was going to be newsworthy or something like that, then I probably would.
Q Would it also depend on whether or not you knew of an association between the governor and the

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individuals, could that be one of the factors?
A Not necessarily, although if there was a relationship and it was, or it seemed a possibility that they might call the governor's office or try to intervene with the governor's office, then it's possible I would tell Sam in advance to head that off or to head off any interference; that is possible.
Q I'm looking at a memo from you to Sam. "Enclosed for your information is a note we received today from Bob McHenry." Do you know Bob McHenry?
A He is a lawyer.
Q One of the attorneys for David Collins?
A Right.
Q Then it's got your bb on the bottom for Beverly Bassett.
MR. COLE: What is the date?
BY MR. BRENNER:
Q The date, I believe, is 5/20 or 5/28; actually 5/28/86. And it talks about -- and then there is another memo from you on the same day, "Sam, FYI. By the way, the complaint does not allege what is stated in paragraph 1 of the Gazette article.

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They must be referring to paragraph 14 of the complaint. The SEC and," I believe that is "NASD did not file complaints on this matter back in 1983. No complaint was ever filed by the Arkansas Securities Department, BB."

Do you remember anything about the suit between Mr. Lasater and Mr. Collins?

A You know, this is really difficult, Mark, because I can't even see the document that you have got and so I don't know even the lawsuit you are talking about. And of course, this was 10 or 11 years ago, so this is really difficult for me to be helpful and accurate on something like that from so long ago.

Q I understand.

A I think, it sounds to me like what I'm doing is responding to a question that Sam maybe put to me over the telephone.

MR. COLE: Based on a newspaper article, it appears.

THE WITNESS: Right, and I don't -- based on the time period, I know that we had, I think

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during that period, a pending complaint against David Collins over -- gosh, it's been 10 years, but some problems in his brokerage firm. He and Dan Lasater had been partners in Collins, Locke & Lasater and they had a falling out. Instead of his own firm, they continued to, as I recall -- I don't know, there was animosity between the two and I just don't know the full nature of it.

But because in any event, we did have a complaint pending against David Collins or his firm, Collins Securities Corporation, I think, during that period of time. But I don't remember why Sam might have asked about it, or why he might be interested, or how Dan Lasater figures into that.

BY MR. BRENNER:

Q Did Sam ever ask you to keep an eye out or give him a heads-up if Lasater & Company came up?

A No, no, not that I recall. And I guess it would be helpful to me if I knew, in this short, little memo that you just recited to me, if it's going to Sam from me and if it's in response to a question he may have asked about the complaint. Can

you tell?
Q It's not all together clear; that is why I had asked you about it.
A It appears that maybe -- is there a copy of the complaint attached?
Q Yes.
A There is. What is the date on the complaint?
Q It's -- maybe Lance's eyes are better for this than mine.
MR. COLE: It was filed, looks like May 13, 1986 at 3:12 p.m. in Chancery Court, Pulaski County, Arkansas, David Collins versus Dan Lasater, Lasater Company, Lasater, Inc., and Lasater Farms.
MR. BRENNER: A civil complaint, right?
MR. COLE: Right.
THE WITNESS: I don't remember the nature of it, but I seem to recall it as something to do with the breakup of the firm, was it not?
BY MR. BRENNER:
Q I was curious why you had sent that to the governor's office.



A Well, that is my curiosity, too, and that is why I'm saying I feel pretty certain that Sam phoned me up and asked me about it, maybe, and that I made an effort to find something out about it and this is my response.
What you see is my response, but now I cannot, in my mind think of what the question from Sam could have been, or might have been. It might be helpful to me if you would read what I wrote again. Is it very long?
Q Yes, the basic answer is that, as you understand it, it was probably a response to a question Sam had asked you, to look into it?
A Do you know what paragraph 4 is in the complaint?
Q Paragraph 14, I believe.
MR. COLE: It might be helpful actually to look at The Arkansas Gazette article and see what the allegation is because it seems to me -- I wasn't there at the time and can't testify but -- that Sam Bratton must have seen an article in the paper and made an inquiry to you.

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MR. BRENNER: George Bentley, Gazette staff article, "David A. Collins of Little Rock, who said he formerly owned half the stock in Lasater & Company, a Little Rock investment firm, sued Monday in Chancery Court alleging that the transaction by his former partner, Dan Lasater, caused the state securities department to accuse David Collins last week of dishonest and unethical practices, and also cost him his interest in the business."

THE WITNESS: Oh, okay. Well, I think that must have been what it was. I sort of remember David Collins trying to somehow bring the regulators into the middle of his civil complaint with Dan Lasater, and trying to -- I think there was some suggestion maybe he was trying to extract a settlement out of Lasater and maybe threatened him in the process that if he didn't, that he would go to the newspaper and file this suit and make these allegations, and that could cause regulatory problems or something to that effect. Something petty, something annoying, something between the two of them that never got resolved.

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BY MR. BRENNER:

Q Did you inform the governor or any member of his staff, including Sam, of any ongoing investigations that may have transpired at the securities department?

A No. You mean about Lasater?

Q Yes.

A I don't remember having conversation with Sam, and Sam would have been the only one I would have talked to about Lasater during this period of time. Like I said, my memories of Lasater and my dealings with him or any conversations with Sam were not until the late '80s, and so that is why this period of time just doesn't come back to me as being -- I just don't recall.

Q Do you recall informing the governor's office or Sam or the Governor himself of any ongoing investigations? And I'm going to -- of the NASD, SEC or any regulatory agency during the period of time between when you became Arkansas securities commissioner and the end of 1986?

A Yes, it's certainly possible. I just

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don't, we had so many of them, that I can't rule that out at all. I may have.

Q But you don't recall?

MR. COLE: May I ask one clarifying question, Mark?

MR. BRENNER: Yes.

MR. COLE: In your role as state securities commissioner, if there was a major Arkansas securities firm, whether it was Lasater & Company or any firm, that was having a serious net capital problem, is it possible that you would advise Mr. Bratton as the liaison with your department and the governor's office, just to keep him informed of something that could have broad financial consequences in the state?

THE WITNESS: Yes, particularly if the net capital area was such that a collapse could be triggered and might ensue. And during 1985 and 1986, we had a number of firms in that precarious situation. In fact, Collins Securities Corporation is one of them that went down in 1985. And we had others. So that is possible that before they read it

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in the newspaper that I would tell Sam, this firm is history or going to be closed because people -- although people's accounts are insured by the Securities Investment Protection Corporation, not everybody is aware of that. And we always had people calling our department when a securities firm closed, asking about their money; and called the governor's office, too.

So yes, I'm sure that on occasion, I talked to them about that, or in the event that some action we might take would have the same effect, basically as talking to, basically called in and concern by the investors or customers about the viability of the brokerage firm. And you know, that is something that I'm sure that I did, but I don't have a recollection of which firms and what years and the extent of the conversation, and that I just can't recall.

BY MR. BRENNER:

Q Are you familiar with a woman by the name of Julia Hughes Jones?

A Yes.

Q How do you know Ms. Jones?

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A Well, she was state auditor for several years here in Arkansas.
Q Did you ever investigate Stephens, Inc. based on any inquiry by Julia Hughes Jones?
MR. COLE: Before you answer, Beverly, what is the relevance of that inquiry?
MR. BRENNER: I'm trying to inquire if they did, did they inform the governor -- goes to regular practice, did they inform the governor about ongoing investigations.
MR. COLE: I think she already testified to that and I think she has confidentiality concerns about specific investigations involving specific firms.
THE WITNESS: I do, as a matter of fact. Like I said, the problem with me talking about those specific investigations, and why I hedged a little bit on Lasater & Company or the successor company, is that those are investigations files and by law I, as the commissioner, am not supposed to be disclosing those. And that gives me great concern to confirm yes, we did investigate this because then I have to

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relay the results or the findings.
MR. COLE: I think with the exception of the Lasater firm where we have specific Senate authorization in the Resolution to make inquiries, with respect to other firms other than Lasater we should just speak in generalities and not get into any details about any investigation that did or didn't take place or any disciplinary action unless it obviously was public action on the part of the securities department.
Can you frame your questions in that way, Mark? I'm confident you can.
BY MR. BRENNER:
Q Are you familiar with statements that Ms. Jones made about tapes that she may have of conversations between you and her?
A No.
Q Have you ever been approached by Ms. Jones or somebody on behalf of Ms. Jones about the statement that she has tapes of conversations you have had with her?
A No.

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MR. COLE: Do those tapes purport to relate in some way to Lasater & Company, if you know?
MR. BRENNER: They purport to relate to certain issues including Securities Bank of Paragould, Marlon Jackson, and Stephens, Inc., and some other things.
MR. COLE: Fortunately, if Ms. Schaffer doesn't know about them, we don't have to argue about whether they are or are not within the scope of the resolution.
MR. BRENNER: I guess that is fortunate.
(Discussion off the record.)
BY MR. BRENNER:
Q On the record. Did you ever attend any meetings with Dan Lasater or any member of Lasater & Company, any employee, that you recall during the time period from the time you started through the end of 1986?
A Oh, now, I think the only Lasater employee I can recall meeting with was possibly Michael Drake.
Q Do you recall the nature of the meetings with Mr. Drake?

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A Well, let's see. I can only remember, I can vaguely remember that it seems like he had some interest in seeing whether our office was going to take some action or had taken some action against David Collins at some point, which either was a matter of public record already or, I don't know, or we -- in any event I vaguely remember it having something to do with this ongoing feud.
Q Have you talked to anyone since you left as securities commissioner, with the exception of reporters, about Lasater or ADFA or your oversight of Lasater & Company?
A Wait a second. Have I talked to anyone since I left the securities department?
Q Since, what was it, January 1, 1991?
A Right.
MR. COLE: Why don't we exclude from that federal regulatory officials including independent counsel representatives.
THE WITNESS: Since I have left, have I talked to anybody about Dan Lasater or ADFA?
BY MR. BRENNER:

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Q I will narrow the scope. Other than the comments that we had mentioned earlier about comments in passing, in other words did you have any substantive conversations in any way about Lasater or ADFA or your oversight of Lasater & Company with anyone from the White House, anyone who may have been a representative of someone who may have been at the White House, any ever the people we already mentioned this morning, the independent counsel, the Department of Justice?

A Well, I really don't think the independent counsel or their investigative personnel has asked me about Lasater, and I don't think any other investigative agencies have. But certainly reporters have, since 1991, asked me, and I have discussed it with them. And I think the campaign, the Clinton campaign in 1992, may have asked me.

Q Do you know who for the Clinton campaign?

A Well, probably would have been Loretta Lynch, but, you know, I want to say that that was after The Los Angeles Times ran a story during the campaign, '91 or '92, about Lasater. I'm thinking

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that Loretta Lynch may have called, and she asked me some questions about it. And I instructed her where to go in the securities department to get orders and copies of things like that.

So I'm thinking it was probably in response to that. I don't think it was in advance of their story, though. But I may have had some conversation and/or contact with Loretta Lynch about it during the '92 campaign.

Q Anyone else from the campaign?

A No. It would have been Loretta, because she really is the only person that I talked to during that period of time on, when issues came up about either Madison Guaranty or Lasater or things that our office had jurisdiction over, it would have been Loretta.

Q How about subsequent to January 1, 1993, after the inauguration, anyone from the White House or as a representative of the White House?

A No. I don't remember any contact about Lasater from the White House. I don't remember.

Q Obviously that includes people like John

Tisdale that we had spoken about earlier?
A Yes, but I don't think -- I just don't think that John ever mentioned that to me. I don't think. I don't think so. I mean, I guess it's possible, but I don't remember talking to John about that, or having them ask me about it, or having him ask me about it or having any -- I wasn't being asked about that during this time period.
And during the same time period I was talking to John about Madison, I wasn't getting questions from the press about Dan Lasater during that period. So I can't think of any reason, anything that would have prompted it.
MR. BRENNER: Beverly, you are not going to believe this, I have no further questions.
MR. COLE: You will be probably be shocked to learn I don't have any follow-up questions so we can go off the record.
BY MR. BRENNER:
Q Beverly, I have one more question. The last question I had asked you was essentially had you talked to anyone about Lasater or your oversight of



Lasater & Company since you left as securities commissioner, and earlier on, I had been asking those questions. And I forgot to ask the follow-up question which was, do you know if Archie had talked to anybody about any of those topics?
A I don't think he talked to anybody about Lasater & Company. I don't think anybody had asked him about that, that I know of, during any of this period of time. I mean, a lot of people have asked him about Madison Guaranty, you know, but I don't think he has had anybody even mention Lasater & Company to him.
MR. BRENNER: Okay. Thank you.
(Discussion off the record.)
(Whereupon, at 11:39 a.m., the deposition was concluded.)

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BEVERLY BASSETT SCHAFFER

CERTIFICATE OF NOTARY PUBLIC & REPORTER



I, SHEILA M. LYONS, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Sheila M Lyons

Notary Public in and for the
District of Columbia

My Commission Expires AUGUST 31, 1997

# DEPOSITION OF WILLIAM B. FISHER
# IN RE: S. RES. 120

**TUESDAY, APRIL 30, 1996**

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER
DEVELOPMENT CORPORATION AND RELATED MATTERS,
*Washington, DC.*

Telephone deposition of WILLIAM B. FISHER, called for examination pursuant to notice of deposition, at 9:10 a.m. in Room 640–A of the Hart Senate Office Building, before SHEILA M. LYONS, a Notary Public within and for the District of Columbia, when were present:

H. CHRISTOPHER BARTOLOMUCCI, ESQ.
Majority Associate Special Counsel
GLENN F. IVEY, ESQ.
Minority Counsel
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Building
Washington, DC 20510
On behalf of the Committee.

ALSO PRESENT: JIM PITTRIZZI

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PROCEEDINGS

Whereupon,

WILLIAM B. FISHER

was called as a witness and, having first been duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. BARTOLOMUCCI:

Q Good morning, Mr. Fisher.

A Good morning, Chris.

Q Before we begin the questioning, there is some preliminary information I need to impart to you.

A That is fine.

Q This is a deposition conducted pursuant to Senate Resolution 120, which establishes a Special Committee to conduct an investigation of Whitewater Development Corporation and related matters.

A Okay.

Q The deposition is in advance of public hearings at which you may be called to testify. As you know, the questions will be under oath. If you don't understand the question, let me know and I will

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rephrase it, and let me know at any time if you want to take a break.

A That is fine.

Q The court reporter will prepare a transcript of the deposition which will be treated as confidential until the commencement of any hearings, and in the event you are called to testify, you will receive a copy of your deposition.

A That is fine. I would like to, if I do have to testify, I would like a copy of the transcript prior to me testifying.

Q I think our normal procedure is to give it to you four days in advance of the hearing.

A Fine.

Q In any event, you will have an opportunity to note whatever corrections are necessary --

A That is fine.

Q -- to the transcript. I take it you are not represented by counsel today?

A No, I am not.

Q But you are aware that you had that right if you wanted to?

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A I am, and I chose not to.
Q Just so you know, it's our practice to note for the record objections to the form of question and to permit objections on the ground of privilege, length or scope. The Committee Chairman ultimately rules on any objections.
A That is fine.
Q Okay. If you would please give us your full name for the record.
A William Burns Fisher.
Q Do you want to spell Burns for us?
A B-u-r-n-s.

Q And your current work address?
A 3309 East Kings Highway, Paragould, Arkansas 72451.
Q And if you would, give us just a very brief sketch of your educational background.
A My undergraduate work was done at Davidson College in North Carolina; graduate, business degree at the University of Arkansas at Fayetteville;

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completed graduate school in banking at Rutgers University and the Stanford Executive Program at Palo Alto, California. I have had numerous continuing education classes and schools in banking and seminars constantly in my business career.
Q If you would, tell us your present occupation.
A My present occupation is president and chief executive officer of Redbook Floral Services, which is a flower and international flower by wire service.
Q I may need to talk to you about Mother's Day coming up.
A We will let you send a wire order to us. Send it to your local florist and we will place it for you.
Q If you would, Mr. Fisher, give us a sense of your banking experience.
A My banking experience began in 19 -- I believe 1971. I was in banking from 1971 until 1985, except for about a year and a half when I was president of a life insurance company. I started out

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in the operations area of the bank, filing checks in the bookkeeping department, working through the operation areas; and have served in just about every capacity of the bank, as cashier of the bank, before moving over to the lending side of the bank.

I have been an investment officer, a trust officer, a senior lending officer, an EBP and president. I was at Security Bank for 10 years, left, was president of a community bank in central Arkansas for three years, and at Security Bank for seven years as president and CEO.

Q What years were you at the Security Bank of Paragould?

A Security Bank from 1971, and that might be '70, Chris, but I think '71, '70 or '71 until 19 -- through 1980; came back in June or July, I'm not sure which, of 1985 and left in May of '92.

Q Okay. So you came back to the bank in June or July of 1985?

A That's correct.

Q And left what year?

A 1985 is when, June or July of 1985.

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Q Oh, that is when you left the bank?

A No, that is when I came back.

Q And then subsequent to that, you left what year?

A I left in 1980.

Q I'm trying to figure out when you left after 1985.

A 1992.

Q Okay. So during that period from 1985 to 1992, what was your position at the Security Bank of Paragould?

A President, CEO.

Q Do you know Marlin Jackson?

A Yes, I do.

Q How do you know him?

A I have known him for over 40 years. I knew him when I was in college back in the mid-'50s. I was running a general insurance agency or working with a man that owned a general insurance agency in Paragould in the late '60s. I knew him when he moved to Paragould in the '60s, with Security Bank.

He employed me with Security Bank when I

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went to work for him in 1971, I think. I have stayed in contact with him since that time. I'm a family friend as well as a business acquaintance.

He put the bank in trust when he became bank commissioner sometime in the '80s. I was a trustee of that trust during that period of time and served as a trustee until the trust was dissolved sometime in the '90s, and still am in contact with him on occasion now.

Q Do you know Frank Oldham?

A Yes, I do. I have known Frank since the mid-'70s. He was a consultant for Security Bank at the same time that he was Dean of Continuing Education at Arkansas State University. He worked as a consultant for the bank until I left. He was still, I think, a consultant when I left in 1980.

The two of us developed an incentive compensation program and traveled the United States for the American Bankers Association presenting programs. Frank was chairman of -- I think Frank was president and CEO when I came back to the bank, and resigned those positions to become chairman and CEO

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of the bank and the holding company.

I have kept in contact with him. I talk with him probably every couple weeks and see him on a monthly basis.

Q Lastly, do you know Charles Campbell?

A Yes, I do. Charles Campbell, I was acquainted with Charles when he was a lending officer at Citizens Bank in Jonesboro. I think, and I'm not sure, but I think we hired Charles at Security Bank when I was there in the late '70s, in the lending area of the bank. He was with the bank when I returned in 1985, but he was serving in the function of the operations area of the bank rather than the lending area at that time.

I have not talked to Charles Campbell in probably, I don't know, gosh, four, five years, probably.

Q Now, during the time you were at the Security Bank in this period, '85 to '92, Bill Clinton was the governor; right?

A Yes, he was.

Q And you obviously would have been aware of

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that fact?
A Yes.
Q Do you know Mr. Clinton?
A Yes, I do.
Q How do you know him?
A I met the governor back in, I think the late '70s when I was chairman of the Arkansas School Boards Association. And the School Boards Association was involved in various educational matters and I had an opportunity to or an occasion to talk with the governor regarding education matters at that time.
Q Do you have any contact with him after that period?
A Yes. I continued to be involved in education. I talked to him on education matters from time to time. And when I say from time to time, that may be once a year, it could have been two or three times in a year. When he came to industrial dedications in the Paragould area, I had an opportunity to talk with him just like everybody else did at that time.

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But my contacts would have been -- I don't think I ever -- in fact, I can't remember ever talking to him about a banking matter. Mine would have been related to education or industrial development.
Q Are you social acquaintances at all?
A No, I'm not.
Q Do you also know Mrs. Clinton?
A Yes, I do.
Q How do you know her?
A Through education. She was actively involved in education in the state of Arkansas, and I had an opportunity to meet and talk with her on different occasions regarding educational matters.
Q Have you had any contact with the Clintons since they came to Washington, or since the '92 presidential campaign?
A I have seen -- yes. I was in Washington for an American Hospital Association meeting in -- gosh, let's see, Chris -- I think 1994; I'm not sure. I think it's been two years ago. And myself, the hospital administrator, and two other board

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members saw the President when he made a presentation to the American Hospital Association, and then had lunch at the White House with someone that we knew. And I had an opportunity to spend probably 10 minutes with the President after lunch.

Q I take it on that occasion you didn't talk to him about anything dealing with the Security Bank or Whitewater loans?

A No, we talked about education and health care.

Q Okay.

A It was just a brief conversation. I'd say maybe 10 minutes.

Q Do you know either Jim or Susan McDougal?

A No, I do not.

Q So then during the '80s, you would have been unaware of any business dealings that the McDougals and the business dealings that the McDougals and Clintons would have had?

A Yes.

Q And you were unaware of the Whitewater real estate deal during the 1980s?

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A I had never heard of it.

Q I want to refer you to the documents I sent you. In the lower right-hand corner, I marked them with -- I numbered them in green ink.

A Yes, I see that.

Q That may be the easiest way for me to identify them.

A That is fine.

Q Document number 1, which I will describe for the record, is a Security Bank loan application dated 9/30/83. It reflects Governor Clinton's $20,800 loan from the Security Bank of Paragould. Now, I take it you weren't at the bank when this document was executed?

A No, I was not.

Q Have you ever seen it before I sent it to you?

A I don't remember ever seeing it before I received it from you. And I possibly could have seen it in the '80s on a renewal on the loan, but I don't remember the document at all.

Q Do you see anything remarkable or unusual

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about the loan application? Take your time to look it over, if you haven't already.
A Give me a minute to look at it because I had not had an opportunity to review the things in detail.
Q Sure.
A No, it appears to be a standard loan application and a copy of a promissory note that is executed by the -- the note executed by the governor. The only thing that would be unusual, if anything would be, is that there is no signature on the loan application. That could be because the loan officer, I'm assuming, probably took this thing over the phone and Governor Clinton was not available to sign it, and the note then was mailed to him.
But that would be the only thing that I see that would be unusual at all.
Q You wouldn't regard the absence of that signature as significant, though?
A No, I would not. That would be -- that could occur on any loan application that the loan officer took by phone and felt comfortable in making

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the loan, and I noticed that, CDC are the initials down there, so Charles Campbell would have made that loan. And he was a senior lending officer. And an unsecured loan of that amount would not have been unusual at all.
Q Was your testimony there that an unsecured loan in this amount would not have been unusual?
A No, it would not have been, not as far as a senior lending officer. I'm not sure what the lending limits on unsecured loans for the senior lending officer would have been at that time, but I would suspect at least $100,000.
Q Now, on the second page, down at the bottom left-hand corner, there is a box?
A Yes.
Q It says "documents required" and I notice financial statement is checked. Meaning, I assume, that a financial statement was required in connection with this?
A That's correct. That is what it would mean.
Q Was there a bank policy which would have

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required a financial statement for a loan of this type?

A Chris, I would say there was. I would have to go back and look at the bank policy at that time, but it would be normal practice on an unsecured loan for a financial statement to be available. It would not be a requirement, but it would be a normal practice.

Q Okay. Referring you to document number 2 --

A Okay.

Q -- which I will describe for the record. It's a personal financial statement of Bill and Hillary Rodham Clinton, dated April 25, 1983. It's addressed to the bank of Cherry Valley; a two-page document. We understand this to be a financial statement that the Clintons tendered in connection with the loan application that we were just looking at. Okay.

Now, given that this document is addressed to the bank of Cherry Valley but was submitted to the Security Bank, would that have been unusual?

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A It would not have been unusual. The only thing in looking at the document that I see is missing is there is no signature on the document, and in normal practices, usually the person who made the financial statement would sign that financial statement someplace.

So that is the only thing that I see, and that is, again, that is not the case all the time, but in normal practices, I would think usually the financial statement would be signed.

Q It could be that the version you got was cut off at the bottom. I believe Bill Clinton did sign the second page.

A Okay. I couldn't see it on my copy. So no, it would not be unusual to take a financial statement that was going to a different financial institution.

Q How about the fact that it's dated April of '83 and was apparently submitted in connection with a September '83 loan?

A We would have -- when I was there, we would have taken a financial statement within a one-year

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period of a loan. Again, I don't know the practice in '83, but after that, that would not have had a detrimental effect on the loan.

Q Now, did you ever become aware of the purpose of this loan, the reason it was taken out?

A No.

Q Just referring you to documents 3 and 4.

A Okay.

Q Number 3 for the record is a letter from Charles Campbell to Governor Bill Clinton dated September 30, '83.

A Right.

Q And document 4 is a check from the Security Bank payable to Madison Bank & Trust in the amount of $20,800 dated September 30, '83. Do these --

A I don't remember ever seeing either of these documents.

Q Do they refresh your recollection at all about what the purpose of the loan was?

A No, because I had no idea what the purpose of the loan was. And I can't remember ever seeing either one of these documents.

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Q Did you ever come to learn that the loan was related somehow to Whitewater?

A When I read it in the paper.

Q And that would -- what year would that have been?

A Sometime in the '90s.

Q Let's turn to documents 5 and 6.

A Okay.

Q Number 5 bears a Bates number which is DKRT 400142. It's a notice of past due loan payment dated October 5, '84. And then document 6 is also a notice of past due loan payment dated October 15, '84. That one has Bates number DKRT 700388.

A I have both of them.

Q Now, if I'm reading these correctly, these seem to reflect that, as of early and mid-October, the loan was past due. The loan application indicates that it was originally to mature on September 30, 1984.

My question to you is, what would have been the policy at the bank with respect to a loan becoming past due, what procedure would have been

employed?
A Chris, I'm not sure at that time. I can tell you what I think would have happened, and that would have been, the computer would have spit out a loan due notice that went to the borrower, prior to the note coming due. And I don't know whether that is 30 days or 15 days or what, but sometime prior to it.

And then if the loan was not paid or no arrangements had been made for an extension of the note, a past due notice would have been kicked out by the computer, and that would have been forwarded to the borrower. And these both look like computer generated normal past due notices.
Q After a past due notice was sent out, would there have been another time by which some further action would have to be taken?
A There would have been, if there had been no response from the borrower, the borrower would either have been contacted or should have been contacted by letter or by phone by the lending officer that was responsible for the loan. And it looks like -- I'm



looking at these two notices -- one dated the 5th and one dated the 15th; it appears that in that period of time that there was a payment made on that loan, because the amounts have changed.

So I'm assuming that a principal payment was made, reducing that balance from $2368 0.24 to $18917.59. And it doesn't indicate on here whether the interest was paid or not, but I would suspect that it is, because it was normal practice that a note was not renewed without at least an interest payment being made. And if there was no interest payment made and a note was renewed, that should have been noted in the bank's records.
Q Well, just so you know, it's our understanding based upon a loan history that there was a payment in the period between these two notices, on October 9 --
A Okay.
Q -- a payment on principal of $2000 and interest of $2811.
A Okay. If they would have gotten those, if they made those payments and not have signed an

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extension agreement, the second notice would have gone out because the loan would still be showing past due, because no extension to change the terms of the loan had taken place.

Q Okay. Let's look at document number 7, which actually reproduces two extension agreements.

A Okay.

Q Let's look at the one on the bottom for now. And for the record, this is a Security Bank form, extension agreement. It has a Security Bank number on it of 4428. I take it this looks like a standard Security Bank extension agreement?

A Yes, it does.

Q And it was apparently approved by Mr. Oldham?

A Looks like that was approved by Oldham and was, extension agreement was dated -- I can't tell from the stamp on there when it was dated, but it looks like it was showing the loan, it wasn't loaded on the computer until December 27, 1948.

Q You are referring to the notation "loaded 12/27/84"?

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A Yes. So it appears it was dated September 30, '84 but that it was not loaded onto the computer until December of '84. And I have no idea why you would have that time period, unless the interest was not received at the time of the extension agreement.

If the interest was not received during the time of the extension agreement, they would not have loaded it onto the computer until that interest was received.

Q Now, the two past due notices we were looking at were dated 10/5 and 10/15 respectively. So if this extension agreement had been executed on September 30, prior to those dates, would those notices have gone out?

A Yes, they would have. If no extension agreement was signed, they would still show past due as far as the bank records were concerned.

Q I guess what I'm getting at, in light of these past due notices, is it safe to say that this date on the extension agreement, 9/30/84, is not when the document was completed?

A No, that would not be correct. The

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document could have been completed on 9/30/84 but, no interest having been paid, the past due notices would have still gone out, because as far as the bank was concerned, the note would have still have been past due until that interest was received or until it was loaded on the computer.

If the interest wasn't received and they loaded -- if the interest wasn't received and they loaded it on the computer, it would -- the past due notices would not have gone out, but until they load it on the computer, it's still going to generate past due notices up until the time it's loaded. So up until December of 1984, I would suspect there are other past due notices in addition to these two that continued to come out.

Chris, it would not be -- there would not be anything unusual for me to, or for a customer to sign an extension agreement today and not pay the interest until next week. And if that occurred, that loan would still be considered past due even though the extension agreement was executed, if it had not been loaded onto the computer.

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Q Would it have been the bank's practice to load it into the computer soon after the form was completed?

A No, it would not have been the practice to load it until after the interest on the note had been paid, or until a loan officer said we are going to extend this loan without an interest payment. And if that occurred, that would have been noted in the bank records as an exception to bank practice.

Q So it's your testimony that you can't necessarily tell from the loaded date when this form would have been completed?

A No, you cannot.

Q Turning your attention to document number 8.

A Let me go back. That would be the same -- I'm looking at the document above, too. And it's showing at the top of that page, that is looking at a renewal note, looks like 9/30/85 with $13,000. And the note is -- the extension agreement is dated October 11, but it wasn't loaded on the computer until November 13, so it would have still showed past

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due from October 11 to November 13, even though it was executed back in October.
Q That actually wasn't the document that I was going to turn to next, but it's fine.
A Well, when I looked at that, I was looking at the one below, but when I noticed that one above, that actually is a similar occurrence; what happened on it to what happened to the one below, and looks like Mr. Gramling handled that extension.
Q That is Steve Gramling?
A Yes.
Q Do those appear to be his initials on the "approved by" line?
A I have no idea.
Q You are inferring it's Steve Gramling from the initials SG in the upper right-hand corner?
A Yes, it says "dealer, SG," that is why I would assume it is Steve Gramling; that is the only SG initials I can remember being at the bank at that time, and he was the senior lending officer at that time.
Q But the cursive initials on the "approved

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by" line?
A I'm not --
Q You can't identify those?
A I cannot.
Q All right. Now, document 8 that I was trying to get to was the handwritten letter.
A Yes.
Q We understand this to be a letter written by Hillary Clinton to Jim McDougal. It's document DKRT 100735.
A Okay.
Q The second paragraph says "I asked Security Bank to extend the note but apparently my request fell on deaf ears." Would you know anything about that?
A No, I would not. In fact I don't even know -- appears from the letter -- it doesn't even tell what year it is. I do see, upper right-hand corner, 1984. I don't know if that is with the letter or whether someone else put that on there, but I have never seen that letter before.
Q Now, in light of this letter, if everything

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in it is as it appears to be, is it safe to say that 1984 extension wasn't executed on September 30 of '84?

A I have no idea.

Q If you would please --

A I would say that it looks -- again I have no idea, but I can't imagine Dr. Oldham doing an extension at a date different than what he has out there, but again, I don't have any idea at all.

Q Well, while we are on it, is it possible that Mr. Oldham dated it 9/30/84 and then had it sent to the borrower?

A It certainly is possible.

Q Then it could have come back in on some date prior to the loaded date?

A Yes, that is possible.

Q Okay. Let's look at document number 9, which is DKSN 001244, from Marlin Jackson to Charles Campbell, dated November 1 '85.

A Yes.

Q Would you take just a moment and read this through.

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A Okay.

Q This letter has occasioned some comment by virtue of the fact that it was written on Arkansas State Bank Department stationery and Mr. Jackson signs it above the title, Bank Commissioner.

A Yes.

Q Do you think it was appropriate for Mr. Jackson to write a letter like this on official stationery?

A No, I do not, but knowing Marlin, I would suspect that -- if you know him and his dictation, he has the tendency to be long-winded on dictaphones and I could see him dictating to a secretary with a portion of that being personal mail and a portion of it bank department mail.

And knowing his personality, when something came on his desk, his signing that letter without even paying any attention to it being on bank department stationery, but no, I don't think it's appropriate going out on bank department stationery.

Q As far as his dictation practices go, are you speculating here about what might have happened,

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or do you actually know what the circumstances surrounding this letter are?

A I have no idea what the circumstances were.

Q Okay.

A I'm only speculating.

Q Understood. Now, you would have been back at Security Bank of Paragould by this time, by November of '85?

A Yes, I would have.

Q So is it safe to assume from this letter that you weren't involved with or handling Governor Clinton's loan at this point?

A No, I was not. When I came back to the bank, I was not actively involved in any lending activities at all. I assisted lending officers, when they needed me to, in contacting customers that they might want me to contact for one reason or another. But as far as actually making loans, I did not do that.

And when I look at this, when I look at Mr. Charles Campbell, vice president, I think -- and

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again I'm not sure, but I think that Charles Campbell was in the operations area of the bank at that time and not in the lending area.

Now, the letter might have gone to him because he was in the lending area and handled the loan, it appears, when it was originally made, but I don't believe at this time that he was an active lender in the bank.

Q What would be the significance of the fact if he were in operations as opposed to lending?

A Nothing, other than he would normally not be handling loans. He might still have lending authority, but he normally would, on a day-to-day basis, not be involved in the lending functions of the bank. And again, I can't tell you for sure the date, but I think when I came back to the bank in June or July that he was in the operations area, but it might have been after that that he moved to it.

Q When did you first have some involvement in Governor Clinton's loan?

A Well, let's see if I can look through these documents and I can tell you. My first involvement

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would have been -- I never talked to the governor regarding the loan at all. I talked to Mrs. Clinton --

Q Do you have an independent memory of the documents; that is to say, a memory apart from what the documents indicate to you?

A Yes, I remember talking to Mrs. Clinton and it looks like that was in, the letter is showing March of '87, but it could have been prior to that. Sometime in either '86 or '87, the loan became past due.

Do you want me to tell you without looking through the document what it is I remember?

Q Yes, let's do it that way first.

A Okay. '86 or '87, I'm not sure when, the loan came past due. I was not aware the loan was past due, but at that time, the senior lending officer, Steve Gramling, was handling the loan. And the best I remember is that he came to me and said that he had not been able to get any response from the governor regarding the loan, asked me if I could give any assistance at all. He gave me the loan

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documents at that time, or gave me the loan itself, the note.

I called the governor's office. I'm not sure who I talked to there. I did not talk to him, but I ended up receiving a call sometime after that from Mrs. Clinton.

And Hillary at that time said that, wanted to know what I had wanted with the governor. And I told her I was calling regarding the note that was past due, and she made some comment regarding, well, I said that papers had been mailed from the loan officer regarding an extension or payment of the need. She said that that was probably laying on the governor's desk, that Bill didn't handle those matters, and that everything needed to be directed to her, and a notation needed to be made that she handled all those business matters, and that correspondence regarding it should be addressed to her in the future and not to him.

And as a result of that, I did talk to her regarding the renewal of the loan. She said it was not convenient for them to, or maybe I in the

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conversation asked if the payments, the way it was set up was convenient -- I'm not sure whether I suggested it or she suggested it -- but anyway, we changed the note from a date note to an installment note based on monthly payments. And those monthly payments were in an amount that she told me they would be able to make. And I gave all that information to Mr. Gramling.

He or the loan secretary, one, he gave it to a loan secretary to prepare the documents and I forwarded those documents to Mrs. Clinton with correspondence. And that is, after that, that is the last that I heard about the loan.

Q How long is this period of time that you are describing between the time Mr. Gramling came to you --

A I'm not sure; it could have been two weeks, it could have been four months. It might be in these documents, I'm not sure but I haven't looked back there, but I'm not sure of the time.

Chris, you are taxing my memory. That is eight years ago. But I do remember the conversation

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with Mrs. Clinton.

Q Well, let's look at some of the documents and see if we can fill in the gaps. Look at document 13.

A Okay. Just a minute.

Q It's a message slip.

A Okay.

Q And this is document DKRT 11000402, and appears to be a message slip to Hillary Rodham Clinton from Marlin Jackson, dated March 2, '87; and it shows your name and phone number.

Do you have any memory of Mrs. Clinton mentioning Marlin Jackson to you in connection with the conversation?

A None at all.

Q Is it possible that the sequence of events that you were just describing to me occurred in March of '87?

A Restate the question, Chris, I'm not clear.

Q The sequence of events that you were describing to me when Mr. Gramling came to you and you called the governor's office --

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A Could it have happened in March of '87?
Q Right.
A Certainly it could have.
Q Let's look at the next document, document 14, Bates number DKRT 200782.
A Okay.
Q This looks like handwritten notes on some form that says "Hillary Rodham Clinton" at the top?
A Right.
Q Dated 3/4/87?
A Yes.
Q Your name also appears on this?
A Yes.
Q Do you think these are notations of the conversation you had with her?
A I don't have any idea. I don't remember the document. But evidently it was addressed to me and dated 3/4, so I would feel that I did receive the document. Again, I don't remember it.
Q I wasn't suggesting or even asking whether you had received this, but the document reflects the amount of the original note --

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A Right, yes, it does.
Q -- and the balance?
Are those the sorts of matters that you discussed with her?
A Chris, I would say that I did, because we, when I talked about the renewal of the note -- I can't remember -- but she very easily could have said, well, what was the original amount of the note, or what was the last amount of the note, or what the balance was. And I would have given her all that information, because my conversation would have been that the note is past due, that no, nothing has been done on it, that we were going to have to take some action; and her explanation to me was that is probably laying on Bill's desk, he doesn't pay any attention to things like that. All the papers and documents need to be sent to me.
Q Now, did you just have the one conversation with her, or were there more than one?
A I don't remember any other conversations other than that one. I did correspond with her.
Q Right, but in terms of over the phone --

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A I think that was the only conversation, to the best that I can remember.
Q And you never met with her?
A No, I did not.
Q Okay. Let's look at document 15. It's DKRT 700596. It appears to be a letter you wrote to Mrs. Clinton, dated March 5, '87.
A Yes, and that is my signature.
Q And it says that you are enclosing a new note and that is a reference to the paid note. So that is consistent with your memory, isn't it, that you replaced the old note with a new one?
A Right. And the new note, if you will look in the third paragraph, we changed that note to an installment note with payments of $285.13 a month and that was, that figure, again the best I can remember, we came up with that figure because that is what she said that she could pay on a monthly basis.
Q So now it's pretty safe to say then that the conversation you had with Mrs. Clinton was in 1987 --
A Yes.

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Q -- as opposed to '86?
A Yes.
Q So your memory of events was from this March period?
A Yes. Looks like from here, when I told you at first it was '86 or '87 because it would have been sometime after the note came due and I think that that note came due -- I'll go back and look -- either September or October, so Mr. Gramling probably had, it appears, had waited for three or four months to get some action on the note before he contacted me. And that would not have been unusual because, again, I was not involved in, directly involved in the lending function.
Q Well, now, if the note was due in September, then you are actually talking almost, like five, six months at this point, aren't you?
A That's correct. That note was due September 30.
Q I guess I would refer you walk to document 7?
A Okay.

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Q -- the extension agreement at the top --
A Showing September 30.
Q Of '86.
A Yes, the note would have been due on September 30.
Q So how soon before your conversation with Mrs. Clinton and these letters was your conversation with Mr. Gramling?
A It would have been, I can't tell you exactly, but it would have been close to that date because when Mr. Gramling would have contacted me and I told him that I would make contact with the governor. I would have tried at that time to start contacting the governor, and I can't tell you whether that is a week ahead of then or two weeks or three weeks, or how many times I called, but I don't remember calling the governor's office but one time. And talking with, again, someone there.

I did not talk with the governor and I don't know how many days after I talked with them that Mrs. Clinton called. But I would think that it would not have been very long, because if there would

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have been a time period that would have elapsed in there, I would have made a return phone call or a follow-up letter, and I don't see, looking through here, any correspondence that I wrote regarding why they hadn't returned the phone call.

So I would think that very shortly after Mr. Gramling contacted me, I would have contacted the Governor's office, and that Mrs. Clinton would have contacted me very shortly after that.

Q Now, Mr. Gramling told you he had tried to get in contact --
A Told me he had been trying to collect the loan and had been unsuccessful in either collecting the loan or getting an extension agreement. And he was concerned about having a past due loan on the books and especially one to the governor of the state of Arkansas.
Q Did he seem frustrated, disgruntled?
A Frustrated that he could get no response, yes.
Q Now, if you would, please, sir, take a look at documents 11 and 12.

A Chris, hold on just one second for me.
Q Sure.
A Document 11 is showing a loan application, it looks -- wait just a second. Yes, it does look like a loan application on document 11, and document 12 looks like an extension agreement. Okay. I have got both of them in front of me.
Q Actually, aren't 11 and 12, they are both promissory notes, are they not?
A Number 12, yes, it is a note. Yes, it is. Looks like that is, looks like one of them is typed and one is written. So it looks like they are identical except one is written and one is typed.
Q Now, the typed one, document 11 --
A Okay.
Q -- shows that this agreement dated, it says, 1/29/87?
A Yes.
Q Now, if that is correct or if this was executed on that date, that would have been before your communications with Mrs. Clinton; right?
A It would be, but I don't see any signature



on there, so I'm assuming that -- again this is an assumption -- I'm assuming that it was not executed, that it was prepared, but was not executed. And that question would have to be answered by -- I don't see any initials on this one, but on the written one, it's Steve Gramling is there, but I notice it says it's loaded 1/30/87. If it was loaded, unless there was payment made, it would still be showing as a past due loan, I think.
Q So you don't know whether this document was executed or not?
A I do not, no.
Q Now, in March of '87 when you were speaking with Mrs. Clinton and corresponding with her by letter, was it not your understanding that something had to be done with the loan?
A It was my understanding that the loan needed to be brought current, that it was past due, and had been past due since September.
Q Now, if this document 11 had been executed, the loan would have been extended through September 30, '87?

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A It would have been if it had been executed and if it had been approved by the loan officer and loaded on the computer, that's correct. And it would not have been -- again, I don't know why -- again, I see it appears that this was not executed, but it does appear that it was loaded on the computer. And why it was loaded on without being executed I have no idea, but it evidently was still showing past due, because my letter in March indicated that, at that time, it was still a past due loan.

Q So as far as you know, until a new note was executed in March of '87, the loan was past due and had not been extended?

A That's correct.

Q Okay. Let's look at documents 16 and 17.

A Okay.

Q 16 is a Security Bank loan application --

A Yes.

Q -- in the amount of $14,117, which is the same figure that appears on your letter of March 5.

A Okay.

Q And then document 17, which has Bates

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number DKSN 004125, is a promissory note, also in the amount of $14,117. So am I correct that these documents were prepared in connection with the new note that you and Mrs. Clinton executed?

A Yes, that is correct.

Q And if you will look on page 2 of document number 16, in the lower left-hand corner, you will see "requirements," and you see an SG?

A Steve Gramling. That's right. I did not prepare those documents. Mr. Gramling would have prepared them because I was negotiating the renewal of the loan for him.

Q On document 16, I take it that is not your handwriting?

A No, it is not.

Q Do you know if it's Mr. Gramling's?

A I do not know. I assume that it is since he has initialed it, but I don't know.

Q Now document 17, the promissory note?

A Yes.

Q This would have been the new note that was executed?

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A Yes.
Q I note that it says effective date of interest, 3/26/87?
A Okay.
Q Do you see that?
A Yes, I do.
Q What do you infer from that?
A I infer from that that the interest from September 30 -- I don't know this, now -- but from looking at that, that interest from September 30 was paid up until -- no, actually it would be the interest from September of '86 through -- let me go back, Chris.

I would say that that note would have been due -- let's go back to those documents -- in September of '86; isn't that right?
Q Yes.
A Okay. I would assume that the interest was paid from September of '85 through March 26 of '87 or the interest had been paid previously through September 30 of '86, and that interest was paid from September 30 '86 until March 26, '87, because it

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appears, when it says "effective date of interest," that the interest that was due up until that time was paid, that is what it appears.
Q All right. Now, up near the top, it says date 3/5/87?
A Okay. That would have probably been -- I'm looking back at document number 15 -- in the letter, that would have been the date of my letter to Mrs. Clinton. So I'm assuming that when Mr. Gramling probably didn't type this, he probably had a loan secretary type it from his application, but she is dating that evidently, that note the same date as my letter. But the interest, again, it appears was paid through March 26.
Q Do you know how soon after your March 5 letter the Clintons executed this and returned it to you?
A No, I do not.
Q Now, I note --
A I did a good job, though; both of them signed it.
Q It appears they signed it anyway.

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A Okay. I would have no idea on that, either, but it's the same, it appears to be the same signature as that that is on a financial statement dated March 24.

Q No, I was being facetious. We don't have any reason to believe they didn't sign it.

A But I had to brag on me here now; it looks like I did get signatures with my conversation to her.

Q And you told me earlier that you had no communications with the governor?

A No, I did not.

Q Your letter of March 5 says "please complete the enclosed financial statement."

A Yes.

Q Do you remember asking Mrs. Clinton to complete a financial statement when you spoke to her?

A Yes, I did.

Q And she was amenable to that?

A Yes, she was.

Q Is there a reason why you had to have a new financial statement?

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A We tried to get a financial statement on a renewal on an annual basis. Why there wasn't one gotten, why one had not been secured prior to that, I don't know. But that is a normal practice; upon renewal of a note or the execution of, especially on the execution of a new note. Might not necessarily occur on a renewal but on an execution of a new note, a new financial statement would be common practice.

And this was a new note and not a renewal. So I would have -- again I don't remember asking her, but I feel certain that I probably did ask her to complete a new financial statement, and for she and the governor to return that completed financial statement to go to us, to go with the loan document.

Q And you would look at document 18, personal financial statement, filled out by the Clintons --

A Yes.

Q -- dated March 24, '87.

A Yes.

Q Was this the financial statement that they submitted?

A I assume that it was. I can't swear to

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that, but I assume that it was, yes.
Q Is this a Security Bank form?
A Yes, it is.
Q It's dated March 24, '87?
A Yes.
Q Is it possible that the Clintons didn't complete the paperwork on this new note until about that date?
A Yes, it is possible.
Q Have you had a chance to look over this financial statement?
A Yes, I have.
Q Is there anything remarkable or unusual about it as far as you can tell?
A No, it looks like a standard financial statement that was completed. And that would not be, again, was certainly not -- an unsecured loan of that amount would not be unusual based on the financial statement.
Q Under "assets, partial interest in real estate equities" --
A Yes.

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Q -- there's a listing of $50,000?
A Yes.
Q And then the form says "see schedule C"?
A Yes.
Q I turn to page 2 and the block for schedule C is not filled in.
A Correct.
Q But is that problematic at all?
A That is not unusual for that not to be there, if we feel comfortable, if we would have felt comfortable with the loan. And that is really a call of the lending officer.
Q Now, the Clintons were under a legal obligation to submit truthful information on this form; right?
A Certainly.
Q Okay. Let's take a look at document 19, which is Bates number DKRT 200790.
A Okay. Just a minute. Let me look at it.
Okay.
Q Now, this is a letter from Marlin Jackson to Hillary Clinton, dated March 27, 1987. So this

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falls in the same time period when you were dealing with Mrs. Clinton.

A It's after I had already completed my information with Mrs. Clinton and I'm sort of, it appears that, from reading the letter, that Marlin did not realize that we had already completed the renewal of the loan.

Q One thing he says is "in order to meet banking regulations, it is necessary for you and Bill to sign the enclosed extension agreement at the bottom of the page"?

A Well, there was no extension agreement. That is why I say it appears that he is talking about an extension or something that occurred prior to then, and we had already completed going back and looking at the March 5 letter and the note that the governor and/or the President and Mrs. Clinton signed and also the extension agreement that all of that, I mean the financial statement that all of that took place prior to the March 27 letter.

So I don't know why a letter would be going to Mrs. Clinton talking about an extension agreement

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on March 27 when everything else had been taken care of, unless Mrs. Clinton had talked to -- and that is what it appears from back on the other -- where is that note -- what date was the phone conversation thing?

Q March 2.

A Okay. Looks like she must have talked to him on March 2 regarding an extension and my conversation -- well, that would probably make sense. She has my name and phone number down there. If she would have talked to Mr. Jackson on the 2nd and if it were regarding that note, she would have to call me after the 2nd and between the 2nd and the 5th sometime. And that is when we would have renegotiated the loan agreement. And it appears that Mr. Jackson was not aware that that had taken place, looking at his March 27 letter.

Q Now, it was your testimony that you didn't have any interaction with Mr. Jackson with respect to this note?

A That's correct.

Q So when he leaves your name and number, as

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he did on this March 27 letter to Mrs. Clinton, you didn't know about that?
A No, I did not.
Q You didn't say to Mr. Jackson feel free to tell the Clintons to contact me.
A No, I did not. I didn't talk to Mr. Jackson about the loan at all.
Q Now, this is another letter that Mr. Jackson prepared or had prepared or was prepared on official bank department stationery, and again signed over the Bank Commissioner title. So I guess my question is, it was your testimony that you didn't -- you weren't aware of any involvement by Mr. Jackson in the handling of this loan?
A No, I was not.
Q Are you aware of any other instance in which Marlin Jackson, while bank commissioner, was involved with a loan at the Security Bank, handled it on behalf of a borrower?
A No, I was not.
Q The bank commissioner is not the governor's personal banker, is he?

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A No, he isn't. I wouldn't think so. Now, the governor might have considered him his personal banker, but I would not think that he was. According to Mrs. Clinton, it seems she was the one that was handling the business matters instead of the governor.
Q That is true. I guess I could have also asked the question that the bank commissioner is not the governor's wife's personal banker?
A No. I guess she might have considered him that.
Q Okay. Document 20, DKRT 400154 --
A Okay.
Q -- is a letter from you to Mrs. Clinton, dated March 31, '87.
A Just a minute. Let me read that.
Q I take it this is a letter you wrote after all the documents had been completed and filed?
A Yes, that is what it appears.
Q And you remember telling her everything is in order?
A Yes. And it appears she made a payment;

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sometime in between there and that, we applied that payment against the note.
Q Do you remember anything that is not reflected in the letter?
A No, I don't.
Q Document 21, Bates number DEK 007331 --
A Yes.
Q -- appears to be an unsigned letter from Mrs. Clinton to you, dated July 21, '87?
A Yes.
Q Simply says "forward note payments here to me at the Rose Law Firm"?
A Right.
Q Do you remember having any communications with her?
A No, I'm not sure where she had told me to send those payments before. Evidently -- I'm just looking back -- evidently I was sending them to the 1800 Center Street because that is the address on the application. And it appears that, from this July 21st letter, that is not where she wanted them sent. She wanted them sent to the law firm.

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Q While we are discussing this letter, look at document 23, DKRT 007332. It appears to be a letter you wrote the next day, July 22, 1987 --
A Okay.
Q -- wrote to Mrs. Clinton essentially acknowledging receipt of her letter and agreeing to send the payments where she requested.
A Yes.
Q This is consistent with your memory about this?
A Chris, I don't remember writing the letter, but I'm sure I did. That is my signature.
Q Okay. Now, subsequent to 1987, do you have any memory of the Clintons' loan becoming past due once again?
A No. It very likely could have been, but again I was not involved in, directly involved in the lending function. Those past due notices, if it had been past due, would have come from the loan officer responsible for it, and that loan officer would have handled it.
And unless it was a loan of a large amount,

I would not have been involved and would not have known on a routine basis what loans were past due.
Q Okay. Let's turn quickly to document 22 --
A Okay.
Q -- notice of past due loan payment, dated March, appears to be 18th, possibly March 13, 1988?
A Yes.
Q It indicates that a little over $13,000 is due.
A Yes.
Q You don't have any memory of the information reflected in this form?
A No, I do not. Again that just looks like a standard past due notice. Well, I will tell you why you have that, because the loan was set up on monthly installments but that loan was dated in March of 1987 to come due in March of 1988. Even though it was set up on a monthly payment basis, our practice was not to make a loan for over a year so that we could come back at the end of the year and redo that loan and adjust the interest rate based on market conditions.
So this would have been, the total loan



would have come due in March of '88. And this would have been a past due notice showing that that loan had come due and a new extension agreement would have to be reached or the loan would have to be reworked in order for it to continue.
Q Now, it was your testimony that in '87 when you helped Mrs. Clinton to execute a new note, you changed it from being date based to installment based?
A That's correct.
Q I'm not a banker but I take it that means that, instead of being due in one lump sum at the end of the year, there were monthly payments due?
A There were monthly payments due but that was put on, that went back to the document. It looked, like I said in the letter, that based on those payments it would pay out in five years. We would have had a note on monthly installments due in a year but based on a five-year schedule, and the reason that our installment loans were set up on that basis is so that at the end of the year, we could readjust interest rates based on market conditions.

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So when we, at the end of that year's period of time, when we redid -- actually what the common practice was not to redo the loan but extend the loan for one additional year. If the interest rates had gone up during that period of time, we would have probably changed the terms on the note to reflect that higher interest rate. If interest rates would have gone down, we would have, on the extension agreement, reflected the lower interest rate, which would have not changed the amount of payment, but would change the length of the time for the note to be paid off.

So when I look at this past due notice, the past due notice would have gone out, not because the monthly payment was past due, but because the note had matured.

Q Okay. Let's look at documents 24 and 25.

A Okay.

Q 24 is another Security Bank note extending the loan from March of '88 to March of '89?

A Right.

Q Do you have any memory of this?

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A No, I don't. Looks like Mr. Gramling handled that extension and I don't remember it.

Q You don't have any memory of Mr. Gramling coming to you and saying again he was having problems getting --

A I don't believe he did that.

Q And then document 25 appears to be --

A Looks like it's a pay-off of that particular note.

Q All right. The last document I have for you, number 26, your letter from December 29, '88 to Mrs. Clinton --

A Yes.

Q -- indicates that the note has been paid.

A Mr. Gramling would have probably brought those documents to me, and I wrote the letter and mailed the documents to her.

Q Do you have any memory about the circumstances surrounding the final payment of the loan?

A None at all. I would not have seen those payments. The normal practice is when they came in,

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they would have gone to the note department. And the note department would have taken whatever moneys accompanied the payment and would have posted those to the account. And I would not have seen or handled those at all.

MR. BARTOLOMUCCI: Okay. That's all I have for you. I'm going to turn this over to Mr. Ivey.

EXAMINATION

BY MR. IVEY:

Q Good morning, sir.

A Good morning.

Q I apologize, I may have to run back through some --

A Yes, sir, I'd be glad to go back.

Q I just wanted to flesh out a few points here --

A Sure.

Q -- get some additional comments from you?

A Sure.

Q Let me move backward here.

A Okay.

Q I think you were just talking a moment ago

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about a past due notice. I think it was document 22, if my notes are correct.

A Okay.

Q I wanted to make sure I understood what you were saying here. The past due notice went out because the loan had matured?

A Yes. Let me see if I can clarify this. You come in as a borrower and we negotiate a loan. And let's say it's an installment loan based on a three-year pay out. And for simple purposes, let's say it's $3,600 and the pay out is $300 a month principal and interest. We could do that in one of two ways. We could make the note a three-year note with payments being made on a monthly basis for the three-year period of time which the payments would be the same. All the terms of the note would be the same during that period of time.

Or we could make a note on a three-year installment basis with the note being due on an annual basis. And in that case, at the end of the one year period of time, we as the bank actually have the discretion of renewing that note for the next

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two-year period of time at the same conditions that the existing note was, or of renewing that note at different conditions or not renewing it at all.

And it's common practice, or was common practice for us at the bank, on installment loans to make those installment loans due in a year, even though we had the schedule over a longer period of time in order that we could adjust interest rates.

Arkansas at that time, and I think still does, have one of the most stringent usury laws in the nation. And in order for us to be able to adjust those rates, we would have to have the note coming due or that interest rate would be locked in for the three years. So even though that was put on a scheduled pay out of about five years, the note itself was due in a year.

Q All right. So the fact that this notice went out is a reflection of the fact that this loan had matured?

A That's correct.

Q What does it reflect about whether they were making their annual payments?

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A It doesn't. In fact, at that time, it would not have been annual payments; that is '88, so that would have been monthly payments they would have been making during that period of time. I think the only reflection that you would have, it looks like -- let me go back.

It looks like the note was for $14,117.59 when it was made in March of '87. So when we look at that balance of $12,444.78, it would reflect that monthly payments had been made from March of '87 through March of '88 in order to reduce that principal balance down that much.

Q Okay. So does that, that means that they may have been making their monthly payments?

A They made -- they could have been making monthly payments or lump sum payments. And I assume they would have been making monthly payments or we would have seen more past due notices in there.

Q Okay. I appreciate your clarifying that for me.

A Yes, sir. I'm working from documents now. I can't remember back everything exactly, you know,

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seven or eight years ago.
Q That is understandable. I think we all recognize that this was a long time ago. And based on what I have heard so far, it doesn't appear that there was anything particularly remarkable about this loan.
A In this particular thing, I think the only thing that is remarkable in the loan is that it was made to the governor of the state of Arkansas and that it appears, from some of the correspondence, that the bank commissioner had some involvement with directly with the Clintons on it. But my involvement with the loan would be no more than a normal -- than a loan officer coming to me with a loan that was past due for a period of time, and saying I need some help on this particular loan. And the reason that the loan officer would have come to me is they did not, they were not getting any response and they knew that I did know of the governor.
Q Okay. Since you brought up Mr. Jackson, let me move to that issue.
A Sure.

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Q There were two documents that you were given, number 9 and number 19.
A Okay, just a minute. Let me go to 9. Okay.
Q Let's deal with number 9 first. That is the November 1, 1985 document from Mr. Jackson to Mr. Campbell?
A Okay. Yes.
Q Now, my recollection of what your testimony was, was that it wouldn't be appropriate for him to have sent this out on Bank Committee stationery?
A That is a personal opinion. I don't know that, I don't know the protocol for the state bank department, but it's a personal opinion that that letter should have gone on personal stationery to Mr. Campbell.
Q Yes, sir. I think you also mentioned that he had a dictaphone that he used frequently.
A Yes.
Q I don't know if you saw the hearing last week -- we had hearings last week -- in which some of Mr. Jackson's testimony was read with respect to this

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letter. And he testified very similar to your testimony. He said that he had dictated this letter, given it to his secretary to type and that she had done that. And that she put it on the state bank department stationery accidentally, and signed it for him.

So I guess your knowledge of him, you said you have known him for over 40 years?

A Yes, sir.

Q You seem to know him pretty well.

A That would not be unusual. I would not dispute that that happened, but I'm looking at the letter that is his signature on, appears to be his signature on the letter. And again, why it went on bank department stationery, rather than personal stationery or plain stationery, I have no idea.

Q Okay. Now, you also mentioned, with respect to the March 27, 1987 letter, you were asked some questions about that. At one point, you were joking. Mr. Bartolomucci asked if Mr. Jackson was the personal banker or something to that effect of the Clintons, and you said that -- you were laughing

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at the time -- you said that the governor and Mrs. Clinton might have considered him to be so.

A Well, I think -- and my statement on that would be -- and it wasn't really a guess -- it was a statement that I was serious about. The governor and Mrs. Clinton had known Marlin for a number of years. They were aware of his knowledge of the financial industry, and I could see them going to him and asking him for advice regarding financial matters. I don't know that that happened, but I could see that happening.

Q I guess that was going to be my next question. You have been asked to speculate a bit during the deposition here and I just wanted to be clear, though, that your knowledge does not necessarily extend to conversations the Clintons may have had?

A Absolutely not. I have no idea what their conversations were with Marlin when he was, before he was commissioner, during the time he was commissioner or after he was commissioner. But I do know that there was a relationship between the governor and

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Marlin. I feel confident he would never have appointed him bank commissioner if he had not known him and had checked out his -- not only being personally acquainted with him, but have checked out his qualifications with the banking -- the bankers and other people across the state of Arkansas.

So again without knowing, I'm speculating that there was a mutual respect between the two, and that there was a good possibility that both the governor and Mrs. Clinton could have conferred with Marlin regarding personal banking matters. Again I'm speculating. I have no idea at all.

Q If they had conferred with him, that wouldn't necessarily be illegal or improper?

A No, certainly not.

Q And with respect to the letter that did come to your bank, to Mr. Campbell, I think you testified you weren't aware that the bank had received the letter?

A No, I was not.

Q And let me ask this just to be clear: Are you aware of any evidence or any conversations or

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anything that you can recall that may lead you to think today that Mr. Jackson in any way exercised any improper influence over your bank or any of the banks's officials with respect to this loan?

A No.

Q Did Mr. Campbell mention to you that he had gotten the letter from Mr. Jackson?

A He did not.

Q Did any senior officials at the Bank of Paragould mention this to you?

A They did not.

Q To the best of your knowledge, did this letter impact or influence the way this loan was treated at all?

A No.

Q Okay. I may be done here. Let me flip through my notes. Please indulge me for just a moment.

A Sure.

Q Oh, I wanted to ask this question. I'm not a banker, either, sir.

A I will try to -- I'm not any more, but I

will try to answer it for you.
Q You mentioned, with respect to the financial statement, you said something about execution of a new note as opposed to a renewal of a note?
A Okay.
Q Do you mean by renewal of a note, would that be considered these extension agreements?
A Agreements would be renewal of the note without actually retyping the note and changing the conditions and the terms of the note. The note can have terms changed as a result of the extension agreement. But if you are going -- and when I say "terms changed," an interest rate changed; possibly if it was put on that installment note, the amount of the installment; possibly if it was worded differently that would be changed. But when you are changing the terms, normally the whole terms of the note going from a dated note to an installment note and the agreement being changed, you would need new documentation.
And normally when that new documentation,



when the new note is executed, we would go back again, just like we should at the original loan, requiring current financial statements to accompany that.
Q Okay. So the extension agreements on document 7, I believe they were for 1985 and 1986, those would not have necessitated a new financial statement?
A No, they could, that is correct. But let me clarify that that is a call of the loan officer, that loan officer might have requested a financial statement with that extension or they might not have requested that financial statement, and that would be how well they knew the borrower, how comfortable they felt with the borrower. So they might or might not have required a financial statement.
Q So the --
A It appears in this case they did not.
Q So the policy of the bank at that time would have allowed the loan officer to decide or to have the discretion --
A That's correct.

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Q -- with respect to requiring a new financial statement for an extension agreement?
A That's correct.
Q But when the new terms were established in 1987, I guess the principal one being the installment payment approach as opposed to the annual approach, then that would as a matter of the bank's policy --
A Yes, and that is when I would have asked Mrs. Clinton, in talking to her, to furnish us with a current financial statement on she and Bill, and that was reflected with, I believe, and I don't have the document in front of me, but the financial statement that came back with those papers, or shortly thereafter.
Q Now, with respect to the financial statement that was submitted in response to your conversation with Mrs. Clinton, you were asked about whether there was an obligation to submit truthful information. Let me ask a follow-up question on that.
Are you aware of any evidence that the Clintons knowingly or intentionally submitted false

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information on that financial statement?
A No, I'm not.
Q Okay. Let me go back to the financial -- I'm sorry -- extension agreements that we were talking about.
A Which number is that, sir?
Q I think it's number 7.
A Okay.
Q I had two questions for you.
A Okay.
Q The first one is there is a stamp, it looks like, a round stamp?
A That round stamp would have been the date I believe that -- well, let's see. That is March of -- that is showing March of '87? I can't -- it looks like, whatever that date is, that stamp normally would be the date that it was received by the note area.
Q And the note area would receive it at what point?
A When it was either returned back direct to them or to the loan officer. I see this one

evidently came back from Bill Clinton and I don't know whether that was mailed, that would have either gone back to the loan officer that sent him the extension agreement, or it would have gone direct to the note area, where the note tellers would have taken the extension agreement and loaded it on the computer after it was approved by the loan officer. And it looks like again that that is Steve Gramling's loan there.

Q Okay. Let me see if I understand all the dates on this particular --

A I'm going to need to leave you for just one second again. Hold on one second.

Q Take your time, sir.

(Recess.)

BY MR. IVEY:

Q I was going to ask you to explain for me the dates on this extension agreement. There is one date that says 10/11/85, handwritten, on extension agreement number 5116.

A Okay.

Q Now, that date means that this was the date



that the form was completed?

A Well, I'm not sure. I'm not trying, again, to avoid your question, but I'm not sure that that was the date that the form was completed and mailed to Governor Clinton, or if that was the date that it was received back from Mr. Clinton, or whether it was the date that Mr. Gramling put on there when he sent the extension agreement out.

Q Okay. So it could be any of those things?

A Yes, it could.

Q And "loaded" is written on there?

A "Loaded" means that it was -- that looks like, again, that it probably came back and was given to the note area and they loaded it, loaded that extension agreement on the computer. So it would not have -- there would not have been any extension agreement noted on the bank's books until it was actually loaded on the computer and posted to the account, which it appears from the notation up there, that that was November 13.

Q All right.

A So I'm assuming again that the note was due

on September 30; was extended for a year's period of time to 9/30/96; that Mr. Gramling mailed that extension agreement -- I'm assuming or he or the secretary, one -- to the governor. And I would assume from this that, probably Mr. Gramling, that he probably dated that or the loan secretary did, on 10/11, mailed that to the governor.

It came back from the governor, Mr. Gramling approved it and they put it on the computer November 13. So that some time between October 11 and November 13, Governor Clinton signed the note and returned it.

Q All right. I appreciate that. Now I had one last series of questions for you.

A Certainly.

Q I wanted to go to documents 5 and 6. These are the past due notices --

A Okay.

Q -- from 1984, October of 1984.

A Okay.

Q And you pointed out that between October 5, 1984 and October 15, 1984, a payment of roughly $5000



had been made?

A Yes, it appears that it is -- because that note, looking at the notices, is showing on the 5th a past due notice of an amount of $23,680, which I'm assuming -- let me go back, is that the original note? Well, pretty close to the original note.

No, I can't even tell. I don't know where that amount came from, it looks like the note was $20,000. I bet that possibly has interest in it.

Q Yes. $20,800, is I think where it started?

A Yes. Evidently what you have is interest in that which brought it up to $23,680. Then it appears there was a payment made, reducing that note -- sometime in that 10-day period, reducing it to $18,979 dollars $18,917 -- and I can't tell if that is 59 or 99 cents.

Q Okay, so roughly $5000?

A Yes.

Q Now, go to document number 8, which is Mrs. Clinton's October 22 letter.

A Okay. Just a second. Okay.

Q Mr. Bartolomucci asked you to look at the

second paragraph, where it says "I asked Security Bank to extend the note but apparently my written request fell on deaf ears."

Now, this is about seven days after the second late notice was sent out, if I'm counting that correctly; is that right?

A Let me go back to the notices. I have already turned that over. So we are looking at --

Q I apologize --

A That is correct. I'm assuming, but that October 22, I don't know what year that was, because that, it does not have a year on there.

Q Yes. We have a 1984 written in the corner. I can't honestly say that Mrs. Clinton wrote that date on there, but our understanding is --

A I see that now, I see the 1984. So I don't know when that -- I don't know what October 22, but assume if we assume that it was 1984, then you are correct in that that would be roughly seven days after the second notice.

Q All right. So I realize you weren't privy to the conversation between Mrs. Clinton and



apparently Jim McDougal here --

A I was not.

Q -- but it appears that the first late notice went out. A payment of approximately $5000 was made. Then a second late notice comes out. And then Mrs. Clinton writes this note to Mr. McDougal and apparent confusion as to what has taken place with respect to this loan. That is consistent with those three documents?

A Yes, it is.

Q Okay. Let me ask you this: With respect to the loans and the extensions, whenever a loan is overdue, does the bank continue to accrue interest on the loan?

A Yes, it does.

Q And to the best of your knowledge, did the Clintons always pay the interest on the loans?

A As far as I know.

Q All right. And eventually, I guess it was document 25, shows they paid off the loan in its entirety?

A Yes, it does.

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Q All right. You sent a letter that reflected that fact?
A Yes.
Q Okay. So the Clintons, as far as you can tell, paid the loan off and paid off the interest that was due on the loan?
A Yes, they did. And I would not have seen those moneys when they came in. Those would have gone either to the loan officer or direct to the note department.
Q All right. So just in general, the loan that the Clintons received had interest rates that were roughly consistent with rates that were given to other borrowers during that period?
A It appears that that is correct.
Q And these extension agreements, and I guess there were late notices that went out, there was correspondence with respect to this loan, but this seems to be typical --
A It appears to be no different than any other loan that was made and that was past due and the way that it would be handled.

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MR. IVEY: All right, sir. I think that concludes the questions I have for you. I thank you very much for your time.

EXAMINATION

BY MR. BARTOLOMUCCI:

Q Mr. Fisher I have a few follow-ups for you. Referring back to document 7, the 1985 extension agreement, the one that contains that round stamp?
A Yes.
Q I didn't entirely understand what that was.
A That round stamp would have been placed on the document by the note department. And normally it's placed on the document when the document is loaded or when it has been received back and loaded. And one thing, if you say it's strange on that one, it appears that statement is dated March, 1987.
Q That it how I read it too, looks like March 27, 1987?
A And these documents all show "loaded 1985" and I have absolutely no idea why in the world you

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would have a stamp dated 1987 when a document is showing to be loaded in November of '85. I can't answer that question. But that is, if you ask me if this whole series, without going over them in detail, but looking in this short period of time, if there is anything really unusual about the documents, that would be something that is unusual.

Q Can you think of any reason why this form would get stamped two years after it was apparently executed?

A No, I have no idea. I certainly don't, but that stamp would have been put on it. That is a teller stamp and either a regular teller or note teller would have a stamp. And if you see the "4" up there, that would be the identification of the teller at that time. And I don't have any idea who teller 4 is. One thing I notice, though, is normally there would be an arrow pointing to the date part of the month. See the dates going around the circle?

Q I can see an arrow on my copy.

A I can't see it on mine, so the arrow would indicate the day of the month.

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Q On my copy there is an arrow pointing straight up at 27.

A Well, I don't know that, I don't think that that is an arrow. I think that is, it might be. Can you see it, is it an arrow on yours?

MR. IVEY: It's a tough read. I thought it was an arrow. It may be a teller number.

THE WITNESS: Go back to document 16. I'm just glancing through. Do you have document 16 in front of you. Do you see that arrow on it? And that is a distinct arrow pointing, looks like, to 28.

MR. IVEY: Yes, sir.

BY MR. BARTOLOMUCCI:

Q Let's also take a look at document 24, because that has a pretty clear stamp.

A Okay. Hold on a second. It does, and so yes, it does appear that the -- looking at that, it does appear then on document 7 that that is an arrow and that arrow is pointing to 27. And it's pointing to, the date indicates March 27, 1987.

And again, I would have absolutely no idea why you would have a stamp dated March, 1987 on the

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document that was loaded on November 13, 1985.
Q So I take it this is the sort of stamp where the date is along the perimeter, you can rotate?
A Yes, you can.
Q The arrow is always pointing up?
A I'm not sure, but you can either -- it appears, no, it appears, looks like you might rotate either one, but yes, it does rotate. I'm not sure whether the numbers rotate or the stamp.
It appears, if you look at document 27, you look at, on 27, you look at the one on 7, it appears that both of them might rotate, because there is no -- on page 24, see, the arrow is at about an 11:00 angle rather than a 12:00 angle.
So it always -- the top two on one of them, the days have been rotated and the other one appears the arrow has been rotated.
Q I think that just the whole stamp has been rotated in that case.
A But what the stamp is utilized for is either a loan teller or note teller -- and I thought

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that this would have the teller's number on it. I guess it's just the regular teller that was waiting on the customers. Evidently the note teller didn't have identification on it.
So it's a stamp that they would put on that note to show when it was -- and it looks like when it's paid, because it looks like that says on document 7, doesn't it, look like that, that same page, "Security Bank" underneath it there? Again I can't see.
Q Well, let me ask you this: There may be a very simple explanation for this. The new note that you executed in 1987, that paperwork appears to be completed about March 26 or 27, 1987.
A Okay. That could have been, they could have come back -- yes, that does make sense. They could have come back and marked a paid stamp on this extension agreement, indicating that the note was paid off on March of '87. I hadn't thought of that. That does make sense.
Q Because this is an extension on the original note?

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A That does make sense, when it was loaded, so that stamp -- when they paid off the original note, they would have come back and made that stamp on there when the other note replaced it. That does make sense. Thanks, you are bringing -- we are going to put you to work for the banking industry.

Q Maybe I should be a banker.

MR. IVEY: We are up here on the Banking Committee. I guess that makes sense.

BY MR. BARTOLOMUCCI:

Q I have a couple more questions. Mr. Ivey mentioned at one of our recent hearings there was -- a portion of Mr. Jackson's deposition testimony was read in which he described his practice with dictaphone machines. Did you hear that testimony?

A No, I did not. I have not heard any of the testimony. I hadn't heard any. I might have flipped it on for one point, but I have not heard any of his testimony at all.

Q I was just wondering where your testimony about his use of the dictaphone came from.

A Well, I have again have known him for

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years. And it would not be unusual when I was at the bank back in the '70s, and him to be there, he was an early morning person, he might come in at 2:00 or 3:00 in the morning. And by the time the secretary comes in, she would have a half dozen dictation tapes to take off. And that dictation was extremely heavy at the bank. It was again not unusual for him to have two secretaries doing dictation.

(Discussion off the record.)

BY MR. BARTOLOMUCCI:

Q One last thing. The Fed Ex package of documents that I shipped to you?

A Yes.

Q Was that sealed when you received it?

A Yes, it was.

Q And have you showed those documents to anybody?

A No, I have not.

Q Have you made any copies of them?

A No, I have not.

Q And I assume you are going to send those back to me without copying them or showing them to

anyone?

A Yes, I think that on the letter it says please complete and return. If you don't mind that, Chris, if you would call me back -- and, in fact I will just go ahead and execute the one in here anyway, that I'm sending back, and do those need to come just to you at the Committee on Banking, House and Urban Affairs, or is there a particular address that it needs to come to?

Q We can discuss that after the deposition.

A That is fine. No, I have not shown them to anyone and they have not left my possession.

MR. BARTOLOMUCCI: All right. Thank you very much. I think that concludes our deposition.

MR. IVEY: No additional questions from me. Thank you very much.

(Whereupon, at 11:05 a.m., the deposition was concluded.)

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WILLIAM B. FISHER

CERTIFICATE OF NOTARY PUBLIC & REPORTER

I, SHEILA M. LYONS, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Sheila M Lyons

Notary Public in and for the
District of Columbia

My Commission Expires AUGUST 31, 1997

DEPONENT _____

## ERRATA

| PAGE | LINE | CHANGE FROM | CHANGE TO | REASON |
|---|---|---|---|---|
| 4 | 9 | Elevinta - I would like to | NOT correct | |
| 5 | 16 | Kings Highway | Kingshighway | " " |
| 5 | 21 | And University of Arkansas, Fayetteville, Arkansas - Where I obtained a B.S.B.A. Degree | | |
| 6 | 1 | And I consulting graduate school of Banking | | |
| 6 | 9 | Elegal | Elegist | |
| 6 | 10 | Which is an International Banking by Wire | | |
| 6 | 19 | Elevinta 19- | | |
| 7 | 7 | Change EBP To EVP | | |
| 7 | 15 | Elevinta until 19- | | |
| 9 | 20 | From Was Chairman of - | Should Elevinta - This: | |
| 9 | 22 | Chairman To President | | |
| 10 | 1 | Should Read - OF The Holding Company and Chairman of the Board | | |
| 12 | 18 | I Have Seen Him | | |
| 12 | 21 | Elevinta And Myself | | |
| 12 | 22 | Elevinta And | | |
| 13 | 1 | Members And I Saw | | |
| 13 | 4 | Elevinta And | | |
| 14 | 19 | Elevinta And | | |
| 15 | 9 | Elevinta by The - The note Executed | | |

DEPONENT _____

ERRATA

| PAGE | LINE | CHANGE FROM | CHANGE TO | REASON |
|---|---|---|---|---|
| 15 | 20 | Eliminate - would be - That | | |
| 18 | 8 | Eliminate again. That is | | |
| 18 | 21 | Eliminate - We would have - | | |
| 23 | 17 | Eliminate with Add The | | |
| 23 | 19 | Eliminate IT | | |
| 23 | 20 | Eliminate 1944 & Add 1984 | | |
| 25 | 7 | Eliminate line 7 | | |
| 25 | 8 | Eliminate Loaded - | | |
| 25 | 9 | Eliminate IT would - | | |
| 25 | 16 | Eliminate IT would NOT be | | |
| 26 | 16 | Eliminate That would be The State - | | |
| 26 | 21 | Eliminate The NOT is - | | |
| 29 | 16 | Eliminate I Don't Even | | |
| 28 | 17 | Eliminate Know - Appears From The Letter - | | |
| 31 | 21 | Eliminate When I Look at T | | |
| 34 | 10 | Eliminate Word Add The NOT | | |
| 34 | 13 | Eliminate Need Add NOT | | |
| 35 | 9 | Eliminate on The Iran Secretary, one, | | |
| 35 | 12 | Eliminate And That is, After That, | | |

DEPONENT _____

ERRATA

| PAGE | LINE | CHANGE FROM | CHANGE TO | REASON |
|---|---|---|---|---|
| 36 | 5 | Eliminate We | | |
| 41 | 15 | Eliminate Ahead of Them | | |
| 43 | 7 | Eliminate got | | |
| 44 | 4 | Add The person who prepared the document | | |
| 44 | 6 | Eliminate is There | | |
| 50 | 12 | Eliminate She Add Her | | |
| 50 | 14 | Eliminate To go To us, | | |
| 51 | 17 | Eliminate Was certainly be Add unusual for | | |
| 51 | 18 | Eliminate would not be unusual Add To be made | | |
| 53 | 4 | Eliminate I'm sure of, | | |
| 53 | 18 | Eliminate That Add of That | | |
| 54 | 2 | Add Mr Jackson After Talked To | | |
| 61 | 2 | Add The Note After Recited | | |
| 71 | 3 | Eliminate Had checked out this - | | |
| 71 | 5 | Add Community After BANking | | |
| 73 | 19 | Change Dated To Date | | |
| 74 | 4 | After Secretary Eliminate One Add Medical IT | | |
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# DEPOSITION OF CHARLES STOUT
# IN RE: S. RES. 120

**TUESDAY, APRIL 30, 1996**

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER
DEVELOPMENT CORPORATION AND RELATED MATTERS,
*Washington, DC.*

Telephone deposition of CHARLES STOUT, called for examination pursuant to notice of deposition, at 6:08 p.m. in Room 640–A of the Hart Senate Office Building, before CINDY L. SEBO, a Notary Public within and for the District of Columbia, when were present:

MICHAEL P. O'CALLAGHAN, ESQ.
Majority Associate Special Counsel
MITCHELL FEUER, ESQ.
Minority Counsel
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Building
Washington, DC 20510
On behalf of the Committee.

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PROCEEDINGS

EXAMINATION

BY MR. O'CALLAGHAN:

Q Good afternoon, Mr. Stout. My name is Michael O'Callaghan. And I'm associate specialty counsel for the special committee.

I am a counsel for the Majority -- the senators of the Majority of the Committee. With me today is Mitchell Feuer, who is counsel for the Minority senators.

This deposition is being conducted pursuant to Senate Resolution 120. The resolution establishes a special committee administered by the Banking Committee to conduct an investigation involving Whitewater Development Corporation, Madison Guaranty Savings and Loan Association, Capital Management Services, Inc., the Arkansas Development Finance Authority and other related matters.

This deposition is in connection with ongoing public hearings. There's a possibility you'll be called to testify at these hearings. We're going to ask you a series of questions today.

Do you consent to being sworn in over the telephone?

A Yes, sir.

MR. O'CALLAGHAN: Okay. If you could swear the witness.

Whereupon,

CHARLES STOUT

was called as a witness and, having first been duly sworn, was examined and testified as follows:

BY MR. O'CALLAGHAN:

Q Okay. If you don't understand a question today, please let me and Mr. Feuer know, we will be happy to rephrase them for you.

A Okay.

Q If you can't hear us, also ask us to repeat it and I'll be happy to do that also. If you need a break at any time, please let us know as well.

We have a stenographer with us today who is preparing a record of questions and answers. The deposition will be treated as Committee confidential.

Prior -- if you were to testify at a public



hearing, the Committee will attempt to provide you with a copy of your transcript in advance of your testimony.

You may be represented by counsel today. Do you understand that?

A Yes, sir.

Q Okay. Are you represented by counsel today?

A No, I'm not.

Q Okay. Objections to the form of questions will be noted for the record. Objections on grounds of privilege or relevance may be made. And the Committee chairman may rule on objections where the witness refuses to answer a question.

MR. O'CALLAGHAN: Mitchell, did you want to make a statement before we did the background?

MR. FEUER: Yes, I did.

Mr. Stout, my name is Mitchell Feuer. I'm a counsel on the democratic staff of the Senate Banking Committee. And for today's purposes, I'm representing the democratic senators who serve on the special Whitewater committee.

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Mr. O'Callaghan made reference to a Senate Resolution. And all of the authority that the special committee has and all the procedures that the special committee uses are governed by that resolution passed by the Senate, it's Senate Resolution 120.

And that resolution provides on page 14 at lines 17 and 18 that all depositions shall be conducted jointly by Majority and Minority staff of the special committee.

And what that means is that the Majority and Minority have to negotiate with each other and cooperate with each other over the witnesses who are going to be deposed and when those depositions are going to take place.

The Minority was given notice only earlier today that this deposition would take place at 6:00 o'clock this evening. To accommodate the Majority, the Minority is participating in this deposition. But I want to note on the record that the timing is difficult for the Minority.

As you may or may not be aware, the

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Committee is conducting hearings today and tomorrow on the very subject that I expect Mr. O'Callaghan to ask you about; namely, certain bond underwriting contracts that were awarded to Collins, Locke & Lasater, and Lasater & Company.

And for that reason, because we are conducting -- have been conducting hearings today and have to prepare for hearings tomorrow, it's difficult for us to be -- we can't be in two places at once. And it's difficult for us to be conducting this deposition at this time in the midst of that.

Mr. O'Callaghan --

MR. O'CALLAGHAN: Majority agrees on that point as well.

MR. FEUER: Mr. O'Callaghan has represented to me that he thinks that this deposition can be concluded in one hour. And I would say only that if we go beyond that, it may be necessary to adjourn the deposition and conclude it at a later time.

It may not be possible to conclude the deposition today if it goes beyond one hour, because of the demands we have with our hearing schedule at

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the same time with hearings scheduled tomorrow.
But having said all that, here we are. So let's begin.
BY MR. O'CALLAGHAN:
Q Okay. Mr. Stout, as the lawyers are prone to do, I'm also going to make a quick response to Mr. Feuer's statement.
Just for the record -- I want the record to show that we were not able to get in contact with you until this morning because I believe you were out of town. Is that right, sir?
A Yes, sir.
Q Okay. And we appreciate the Minority's accommodations. We understand that we're all in a very tight schedule. I, myself, am in a tight schedule. Although the time is difficult for Minority, it's also difficult for the Majority.
MR. O'CALLAGHAN: And as I said, Mr. Feuer, I will endeavor to finish the deposition in an hour. But I'm -- with that said, let's get the deposition moving so we can try to do that within an hour.
BY MR. O'CALLAGHAN:

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Q Okay. Could you please state and spell your full name for the record?
A Charles Stout, S-T-O-U-T, C-H-A-R-L-E-S.

Q Okay. Are you currently employed?
A I'm semi-retired. I sell real estate part-time.
Q And with what company do you work with?
A Real Estate Central.
Q And where is that located?
A Conway, Arkansas.
Q Okay. Could you give me a brief description of your employment history during the period January 1, 1982 through October 1986?
A Well, I built over 500 houses here in Conway. I bought a condo project in Hot Springs in 1982, and we built condos over there. We opened an office in Switzerland. And I traveled back and forth to that for a couple of years. That was it.
Q Okay. It sounds like enough. During that time period, did you serve as a member of any state

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boards?
A Yes, sir. I served on the board of the Arkansas Housing Development Agency.
Q For -- and what time period did you serve as a board member for the AHDA?
A 1980 to 1985.
Q Okay. Were you appointed to that position?
A Yes, sir, I was.
Q And who appointed you?
A Frank White.
Q Did you serve under any other governor?
A Yes, sir, I served under Governor Clinton.
Q Okay. And did you hold any titles on that board?
A Yes, sir. In 1983, I was chairman of the board.
Q And how did you become chairman of the board?
A The rest of the board members appointed me.
Q Okay. And are all the board members appointed by the governor?
A Yes, sir, they are.

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Q Depending on which governor is in office; correct?
A Tucker.
Q Excuse me?
A Did you ask which governor is now in office?
Q No, sir. No, sir. I was asking whether it depends on which governor is in office with regard to who's doing the appointing.
A Yes, sir.
Q Okay. Okay. With regard to your role as a board member of HDA, what were your responsibilities?
A Well, the first year I was on the board, I had three executive directors, which was quite a job. The first board member was taken off by Clinton, the second board member quit. And we had to hire the third board member. I conducted all the meetings, and we made the decision and voted on the bond issues, who got them.
Q Is that referencing who got the underwriting contract, sir?
A Yes, sir.

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Q And did you also vote on who got the legal counsel work?
A Yes, sir, they submitted bids on that.
Q So both the underwriters and the law firms?
A I don't think the underwriters did. I think the underwriters are regulated by the commission on the cut they get.
Q But did the underwriters submit bids of proposals to be included as part of the underwriting syndicator group?
A I don't think we did. We selected them by their experience, by the size of them, and like that.
Q Okay. Earlier today I had faxed you some documents after you had signed a confidentiality agreement. Did you receive those documents?
A Yes, I did.
Q I'd like to refer you to a copy of the board minutes I sent you for the board meeting that occurred on March 16th, 1983.
A I have it in front of me.
Q Great. And then on the third page of the

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board minutes, the bottom paragraph on that page --
A Yes, sir.
Q -- it reads "Mr. Stout says that HDA has received eight proposals on the proposed multifamily bond issue; that sometime in the next few days, a multifamily subcommittee meeting will be scheduled to review those proposals to recommend to the full board for a decision on underwriters for this program."
After reading that and me reading that to you, does that refresh your recollection as to whether underwriters were required to submit bids and proposals to do business with the agency?
A I don't think they were required to support bids at all. That's my recollection of it.
Q Do you know what the board minutes are referring to there?
A No, I don't.
Q Okay.
A See this happened 13 years ago. I've had a stroke since then. I don't remember a lot of things.
Q Okay. With regard to the decisionmaking

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process for choosing underwriters to do bond underwriting for the agency, was a process used to pick a system that was based on merit?

A Yes, based on merit, size, stability, was able to do the issue, so forth.

Q While you were a member of the HDA board, did you have any interaction with anyone in the governor's office?

A Yes, I did.

Q Who in the governor's office did you have interaction with?

A Bob Nash.

Q And who is Bob Nash?

A He was on the governor's staff over there. We had selected underwriters for an issue, and he called over and asked me to cut in Lasater for 15 percent. I said Bob that's not right, the governor's office is not to interfere with this agency. And he said, well, that's the way we want it anyway.

Q Did he say why he wanted you to cut Lasater in for 15 percent?

A Well, he was a local underwriter and rather

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inexperienced, that was what I didn't like about it. And he also asked us to cut him in on any future issues for 15 percent. I don't remember what percent we cut him in for, but we did include him in future issues.

Q So you did include him in future issues?

A Yes, sir.

Q And that was --

A Where he did about an issue a month, as quick as we could get them rated in New York and get them issued. You know, financing was rather tight in 1983.

Q And were they included on the future issues -- are you still there, sir?

A Yes, sir.

Q Okay. Were they included in the future issues because of the directive that you received from Bob Nash in the governor's office?

A Yes, sir. He called over there about 30 minutes before a board meeting, and I had to go in and tell the rest of the board members what happened.

Q Who were the other board members at the

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time?
A Well, let's see. Mort Hardwicke. I put Mort Hardwicke on the line when he called over there and let Mort listen to him. Tommy Edwards, George Wright, Betty Walker and Mr. Mahlon Martin.
Q Okay. You were in the office when he called?
A I was in the office with the Arkansas Housing Development Agency about 30 minutes before the scheduled time for a regular board meeting to pass it on to the underwriters.
Q And Mr. Hardwicke was in the room with you?
A Yeah. I think I told Mort to pick up the phone and hear this, because it really surprised me when Bob called over.
Q And did Mr. Hardwicke pick up the other phone?
A I think he did. Don't quote me on this, but as I remember, I think he did.
Q But unfortunately, Mr. Stout, because this is a deposition, you're being sworn. We do quote you. So if you could just give me the best

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recollection that you have.
A The best recollection I had was I asked him to pick up the phone and he did.
Q Did he participate in the phone conversation?
A No, I think he just listened.
Q Okay. Now, when you told Mr. Nash that it wasn't right to do this, what reaction did he have?
A He said, well, that's the way we want it anyway.
Q And when he said that's the way we want it, who is he referring to?
A I have no idea.
Q Did you ask him if the governor was asking him to do this?
A No, I didn't.
Q Was it your understanding that this was a directive from the governor's office on -- or excuse me.
Was it your understanding that was a directive coming from the governor?
A I had no idea.

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Q Okay. But Mr. Nash worked for the governor; isn't that right?
A Yes, sir.
Q Do you recall he was a senior economic advisor -- a senior adviser for economic development?
A I think he was. I don't really know what his title was.
Q Okay. Other than what you told us about that conversation where he told you that he had -- he wanted you to cut Lasater in to the underwriting deal that you were considering, is that right --
A Yes, sir.
Q -- had you already chosen an underwriting team for that offering?
A I think we had. I know we had.
Q Okay. I supplied you with some documents, as I mentioned earlier. And I'd like to refer you to board minutes from April 19th.
A All right.
Q And within those board minutes, I'd like to refer you to the third page of that document.
A All right.

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Q And that paragraph reads, "upon Mr. Hardwicke's request for further business, Mr. Wright made a motion that Collins, Locke & Lasater be added to the underwriting team for the agency's proposed 1983 multifamily issue in order to spread around and include more local Arkansas underwriters on this issue. Mr. Edwards seconded the motion, and the board approved the same."
This is from the April 19th meeting. Do you recall whether or not the underwriting and issue was the one referred to in the April 19th minutes?
A No, I was in Europe at the time that this meeting took place. I didn't attend this meeting, I don't think.
Q Okay. So this was a different underwriter that you remember?
A The Collins, Locke & Lasater were a different firm than the Dan Lasater firm as I recall.
Q Okay. I'd like to -- I can represent to you that they were -- that Collins, Locke & Lasater was Mr. Lasater's firm.

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A Was it? Okay.
Q Okay. I'd like you to please take a look at the board minutes from February 17th, 1983. It's a couple meetings before the one I just referenced.
A All right.
Q And within these board meetings, the second paragraph on the February 17th, 1983 minutes reads, "the Chairman called the meeting to order and stated the purpose of the meeting was to discuss a proposed solution to the problems with the current single family bond program. After discussions, it was determined that the composition breakdown of underwriters in this proposal be directed 6 as below."
And it listed a number of firms, Dabbs Sullivan Division of G.K. Baum Company, Blyth Eastman, Paine Webber. It appears to be -- they appear to be bond -- the lead managers on the deal for 60 percent.
And then there's a second group of firms, appears to be local firms, T.J. Raney & Sons, Stephens, Inc., Collins, Locke & Lasater, Inc., for

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13 and 1/3 percent each.
Do you recall being at this meeting?
A Yes, vaguely.
Q Okay. And is this the meeting where -- that you were called by Bob Nash just before it started?
A I have no idea.
Q Do you recall whether Collins, Locke & Lasater had participated in any HDA bond deals prior to Mr. Nash's phone call to you?
A I don't think they had. No, huh-uh, not while I was on the board.
Q When Mr. Nash told you to cut in the Lasater firm for -- in the bond offering that you were about to discuss in the meeting, did you tell them that HDA would do it, the board would do it?
A Yeah, I did.
Q Okay. And did the board actually include Collins, Locke & Lasater as a member of an underwriting syndicate for that issue?
A Yes, sir.
Q Do you recall specifically what issue that

was?
A No, I don't.
Q Okay. And you stated earlier that the board continued to include Collins, Locke & Lasater because of Mr. Nash's directive; is that right?
A Yes, sir.
Q You said Mr. Hardwicke was in the room with you and picked up the phone when you spoke with Mr. Nash, you thought. Was there anyone else in the room?
A I don't think there was anyone in there but Hardwicke and I. And he didn't talk to Bob, I don't think; he just listened.
Q Okay. Did you know Bob Nash before this phone call?
A Yes, I did. He's a former board member of Arkansas Housing Development Agency. I know him well.
Q Are you certain that it was Mr. -- so you're certain that it was Mr. Nash that you spoke to?
A I'm positive.



Q There's no doubt in your mind?
A No, I know Bob's voice anywhere.
Q Okay.
A He told me who he was.
Q How long was the conversation?
A About three or four minutes.
Q Okay. Was -- did anyone else from the governor's staff participate in the discussion?
A No, they didn't.
Q Okay. After the first conversation with Mr. Nash, did he have any subsequent conversations on this subject?
A No, I didn't.
Q Did you and Mr. Hardwicke discuss the phone call after you hung up with Mr. Nash?
A Yes, we did, at length.
Q What did you discuss?
A Well, I told Hardwicke I thought it was wrong for the governor's office to tell us how to run our business over there. We had to convince the other board members to cut Lasater in.
Q What was Mr. Hardwicke's response?

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A I don't remember.
Q Was he a friend of the governor's?
A Yes, he was.
Q Governor's Clinton; is that right?
A Yes, sir.
Q Did he relate to you that he thought it was wrong as well?
A No, he didn't.
Q He thought it was okay to do this?
A I suppose. I don't think he said anything.
Q Okay. And why did you think it was wrong to do this?
A Well, the governor's office doesn't interfere with the directors of the Arkansas Housing Development Agency and tell them what underwriter to use. That business is the director's business, nobody else's.
Q Is that supposed to be an independent process from the governor's office?
A Yes, sir.
Q Is that to protect taxpayers from undue

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political influence?
A I suppose. I don't know.
Q Okay. Do you recall anything else from the discussion you had with Mr. Hardwicke after the conversation with Mr. Nash after you hung up the phone?
A I beg your pardon?
Q Do you recall anything else from the conversation -- you said you spoke at length with Mr. Hardwicke about this. What else --
A Well, we discussed it for a couple of minutes, and what we had to do, we had to get the board, get this to the rest of the board members before the board meeting.
Q What did you decide that you had to do?
A Go talk to the board members individually.
Q Did you each talk to each of the other board members individually or did you -- did you divy up the other members of the board and who to speak with?
A Would you say that again?
Q Sure. Did you each go and speak with the

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other board members or did --
A I don't remember.
Q Okay. And did you discuss the strategies of how you were to convince them to go along with putting Collins, Locke & Lasater as a member of the bond underwriting syndicate?
A I don't remember that either.
Q Did you tell the other board members that you had gotten this directive from the governor's office?
A I told him I got it from Bob Nash.
Q So the other board members were aware of this as well?
A Yes, sir.
Q And this occurred in 1983; sir?
A Yes, sir.
Q Who is the acting or executive director at the time?
A Linda Trent, I think.
Q Did you have any discussions with her about the phone call with Mr. Nash and the director?
A I don't believe I did.

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Q Do you recall how much the -- that issue was for?
A No, I don't. I really don't.
Q And how much money it was worth to the underwriters?
A No. I can look it up. I think it was for 26 million.
Q Okay. Are you referring to a document right now, sir?
A Yes, sir.
Q Okay. Which document are you referring to?
A The bottom of the page on page 2 I think.
Q Okay. Is that the -- does that -- can you read the Bates stamps on it, the numbers?
A DKSNO26126.
Q And that's the 1983 series A?
A Yes, sir.
Q 26,365,000 single family issue --
A Yes, sir.
Q -- which lists Paine Webber, Stephens, T.J. Raney, George K. Baum and Lasater?
A Yes, sir.

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Q And your recollection was this was the first issue they participated in?
A I think it was.
Q Okay. Did Mr. Nash direct you to include any other underwriting firms during that phone conversation?
A No, sir.
Q Other than the general rationale that you gave me earlier, did he give you any other reasons why he wanted Lasater included?
A No.
Q Did he identify the firm by referring to Dan Lasater's firm?
A I think he did.
Q Did Mr. Nash seem relaxed to you or nervous or in a hurry or anything? Do you recall what his demeanor was over the phone?
A He's always relaxed.
Q Do you recall what the other board members reactions were to your relating to them that Mr. Nash had called directing that the board include Lasater's company in HDBA bond offerings?

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A No, I don't. But they obviously agreed with it, because we included them in the issue.
Q Mr. Stout, is there anyone there with you right now?
A My son, Mike.
Q Okay. We have to identify him for purposes of the transcript.
A Okay.
Q And is he an attorney?
A No, he isn't. He's a real estate man.
Q Okay. Can you hold for just a moment, sir?
A Yes, sir.
Q Thanks. If we get cut off, I'll call you right back. I'm not sure how this hold works, okay?
A Okay.
(Pause.)
BY MR. O'CALLAGHAN:
Q Mr. Stout?
A Yes, sir.
Q I'm right here. I had you on mute. The procedures the Committee operates under, we usually only allow the witness and the witness' counsel to be

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present during depositions due to the confidential nature of the inquiry.

And I did not -- I wasn't aware that there was anyone present there with you when we began the deposition.

Do you have an objection if we continue the deposition without your son there?

A I have no objection.

Q Okay.

A He's leaving the room now.

Q Okay, thank you very much. Okay. And before we end, I might ask him to come on the record and ask him if he'll keep the contents of what he heard today confidential.

A Mike?

Q Yes, sir.

A His name is Mike. Come in and verify that what you heard is confidential.

MR. O'CALLAGHAN: Mr. Stout, could you state your full name for the record and identify yourself so we can identify all the parties?

MR. M. STOUT: Michael Stout, M-I-C-H-A-E-L

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S-T-O-U-T.

MR. O'CALLAGHAN: Okay. Mr. Stout, the Committee would like that you keep the contents of this deposition confidential. Do you agree to that?

MR. M. STOUT: There's no problem. All I've been doing is coming and going. He's in my office.

MR. O'CALLAGHAN: Okay. Thank you very much.

MR. M. STOUT: All right.

BY MR. O'CALLAGHAN:

Q Okay. Mr. Stout, after you approached each of the board members about including Lasater's firm in HD offerings, did you have any further conversations with them on the subject?

A I don't think so. Mort was vice chairman, I think he approached them. I don't think I approached them. I don't remember.

Q When you say "approached them," who are you referring to?

A Board members --

Q Okay.

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A -- Mort Hardwicke.
Q So he was actively involved in this process of including Lasater's company?
A He heard the conversation from Bob Nash.
Q And then he related the contents of that conversation to other board members?
A Yes, sir.
Q And he went along with including Lasater & Company in the HDBA bond offerings?
A Yes, sir.
Q Did Mr. Nash ever relate to you that this request was being done for the purposes of paying back Mr. Lasater for any political contributions?
A No, sir.
Q Did you make any inquiry of that sort?
A No, I didn't.
Q Did Mr. Hardwicke -- or do you know if Mr. Hardwicke had any conversations with the governor on this subject?
A I have no idea. I didn't ask.
Q And he never told you?
A No.

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Q Do you know who George Wright is?
A Yes, I do.
Q Did you have any discussions with Mr. Wright with regard to the inclusion of Lasater & Company in bond deals?
A Not to my memory.
Q Was he an HDA board member?
A Yes, he is.
Q Do you know if he's a personal friend of Mr. Clinton's?
A Yes, he is. They were boyhood friends.
Q Grew up in the same town together?
A Yes, sir.
Q Was he approached about Mr. Nash's conversation -- about Mr. Nash's directive to include Lasater & Company in the HDA bond deals?
A Not that I recall. I don't remember mentioning it to him.
Q Okay. Do you know if anyone else did?
A I'm sure that Hardwicke did.
Q Why are you sure that Hardwicke did?
A Well, he talked to all the board members

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before the meeting.
Q And he told you he did that?
A I saw him do it.
Q Where did he do it?
A In the office there.
Q In the office where you took the phone call from Mr. Nash?
A Yes.
Q Did he call them in to make this announcement?
A One at a time.
Q How were they summoned to the office, do you recall?
A They were all standing around the hallways waiting for the meeting to start. He just casually walked up to each one and told them what happened.
Q Okay. Was this behind closed doors or --
A No, no.
Q Okay. Did you have any contacts with anyone else at the governor's office with regard to Lasater & Company or Dan Lasater?
A No, I didn't.

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Q Did any other HDA board members?
A I have no idea.
Q Do you know if any of the board members had discussions about Mr. Lasater or any of Mr. Lasater's companies with the governor?
A No, I don't.
Q Did anyone try to make an appeal -- are you still there, sir?
A Yes, sir.
Q Sorry. The phone is making beeping noises.
Did anyone try to take an appeal or make an appeal to anyone associated with the governor or the governor's office with regard to the directive you received from Bob Nash to include Collins, Locke & Lasater in the underwriting -- as one of the underwriters for HD offerings?
A Not to my knowledge. But I see a letter here from Stephens & Company where they were selected as an underwriter, and they wrote a letter to the agency and backed out of it because Lasater had been added.

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Q Okay. The letter you're referring to is an April 28th, 1983 Stephens, Inc. letter?
A Yes, sir.
Q It's addressed to Mr. Charles Stout, Stout Realty, and it's signed by Gail Wolborn?
A Yes, sir.
Q Do you recall receiving that letter?
A No, I don't.
Q Okay. Do you recall, did you have any discussions with anyone from Stephens, Inc. about Lasater & Company being added in as a member of a bond offering underwriting team?
A I don't recall ever discussing it with them.
Q Okay. Do you recall if Linda Trent ever brought concerns that Stephens had about Lasater & Company being included in a bond offering to your attention?
A No, I don't.
Q Do you recall whether she had a meeting with Charles Crow from Stephens, Inc.?
A Not to my knowledge.

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Q Okay. Do you know who Charles Crow is?
A I don't remember who he is.
Q Okay. But you clearly remember the phone call from Mr. Nash; is that right?
A Yes, sir. The representative from Lasater, his name was Michael something.
Q Was it Michael Drake?
A Yeah, that's who it was.
Q Did you have any discussions with him about Mr. Nash's call?
A No, I didn't.
Q Do you know whether he had any discussions with anyone in the governor's office about being included in HDA deals?
A No, I don't.
Q So the subject never came up with him?
A No, huh-uh.
Q Did you have any discussions with anyone else at Lasater & Company?
A No, I know no one over there.
Q Did you who Dan Lasater was at the time?
A No, I didn't.

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Q Did you ask Mr. Hardwicke who he was after the directive came in from Mr. Nash?
A No, I didn't.
Q Did you discuss this phone call with anyone other than Mr. Hardwicke and the other members of the HDA board?
A Not at the time I didn't, only Hardwicke.
Q Did you subsequently?
A Yes, I did.
Q And who did you discuss it with?
A Frank White and Tom Nabholz.
Q What was the second name?
A Tom Nabholz.
Q Could you spell that?
A N-A-B-H-O-L-Z.
Q Okay. And who's Tom Nabholz?
A He owns the building company here in Conway.
Q Did you speak to anyone else?
A No.
Q During your tenure as an HDA board member, did you become familiar with who Dan Lasater was?

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A Yes, I did.
Q How did you become familiar with who he was?
A Reading the newspaper.
Q Do you recall whether when you were an HDA board member, whether you read any accounts of testimony given that Dan Lasater used cocaine?
A Yes, I do.
Q What was your reaction to that?
A I was surprised.
Q Did you bring that to the attention of anyone at AHBA or ADFA or HDA?
A I don't remember whether I did or not.
Q While you were a member of the board, do you recall whether or not you had any knowledge that Mr. Lasater had lent Roger Clinton, the governor's brother, 8,000 to pay off drug debts?
A I read that in the newspaper.
Q Do you recall when you read that?
A No, I don't.
Q Were you still a member of the HDA board?
A I don't recall.

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Q Okay. Have you ever heard that Mr. Lasater provided Roger Clinton, the governor's brother, with a job at the governor's request?
A No, I haven't.
Q Okay. Have you ever had any discussions with the governor with regard to HDA bond underwritings?
A No, I don't think I have.
Q And how long did you serve at HDA under Governor Clinton's Administration?
A One year. I don't think I attended a board meeting in 1984, not to my knowledge.
Q Okay. So I had asked you earlier how long you had been on the HDA board, I think you said 1980 to 1985.
A Yes, sir.
Q So 1983 to '85 would have been during Mr. Clinton's Administration?
A Yes, sir.
Q So do you recall -- were you a board member at that time, or was it 1983? Just so we're clear.
A I was a board member from 1980 to 1985, but

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I didn't attend any meetings in 1984.
Q Okay. Why was that?
A I was busy with that condo project over in Hot Springs.
Q Okay. I'd like to have you take a look at a memorandum that I provided to you. It's on the office of the governor's stationery.
A I have it here.
Q It's probably a little difficult to read. It has Bates stamps on the bottom, and the middle of the page, it says DKSN026453, I believe.
A I'm looking at it.
Q Okay. And it reads on -- it's all handwritten notes, and there's numerous sets of handwriting that appears there. It's dated 1/24/86, from Nash, subject ADFA.
And I'm going to read the note quickly. It reads, "Wooten told me that he got his reappointment letter to ADFA board. This reminded me that George Wright is really interested in being reappointed to ADFA board.
"Said only want it to be a short period of

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time, one to two years. Said would resign if BC needed the slot during his new appointment."

Then the next paragraph reads, "if BC does not reappoint George, he should call and tell him -- call and tell him. George is not a strong member but do anything BC wants done."

Do you recall whether Mr. Wright ever had any conversations with the governor with regard to HDA bond offerings?

A No, I don't.

Q Okay. Were you under the impression that Mr. Wright would do anything that Mr. Clinton wanted done in connection with his work at HDA?

A I knew they were close friends, but I didn't know that he would do anything he wants done.

Q Okay. I'd like to have you take a look again at the February 17th, 1983 board minutes.

A All right.

Q And if you could look at that in conjunction with the document. You referenced earlier that lists the different bond underwriters?

A Yes, sir.

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Q Let me get the Bates stamp for you. I believe you referred to Bates number DKSN026126; is that right?

A Yes, sir.

Q And it lists there on -- the list which is entitled bond issue 78 to '86, 1978 to 1986, revised October. The last entry there reads 1983A, amount 26,365,000, single family. Then it lists Paine Webber, Stephens, T.J. Raney, George K. Baum and Lasater.

Then if you look at the February 17th minutes, it lists the same -- I believe it lists the same firms, Dabbs Sullivan Division, G.K. Baum, Blyth Eastman, Paine Webber, T.J. Raney, Stephens and Lasater.

Looking at these two documents together, does that help you remember whether or not the offer they were included in was the one that was discussed in the February 17th subcommittee meeting?

A No, it doesn't. I just don't remember.

Q Okay. But you do remember it was an issue for around $26 million?

A About that, yes.
Q And it was a single family issue?
A I think so, yes.
Q So did you ask Mr. Nash how he came up with the percentage of 15 percent that he wanted the Lasater firm to get?
A No, I didn't. But he was a former board member, I guess that's where he got it.
Q So he knew generally what local underwriters would get as a cut?
A Yes, sir. I suppose.
Q Other than saying that's the way it's going to be, did Mr. Nash give you any other rationalization for why he was asking you to do this?
A No, I don't recall.
Q Were you surprised to get the phone call?
A Yes, I really was.
Q Why were you surprised to get the call?
A Well, because the governor's office never entered into our business up to this point.
Q So this is the first knowledge you have a governor's office --



A Telling us what underwriter to use.
Q You said you were away for the April 19th board meeting?
A I think I was in Europe at that time the best I remember. It's been so long, I don't remember.
Q Okay. Was that one of the trips to Switzerland?
A No, a vacation.
Q Okay. Did you -- do the events that transpire to that meeting, were they related to you at a later date?
A I don't think so. I don't recall.
Q So you didn't hear that Collins, Locke & Lasater was added on later on to an underwriting group that had already been chosen?
A I don't recall.
Q Okay. Just to be clear on this. It's your testimony that Mr. Nash did not recommend that you hire any other underwriters except for Lasater & Company; is that right?
A That's true.

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Q But Mr. Lasater's company I think is how you said it was presented?
A Yes, sir.
Q Now, that was during that conversation. Are you aware of any other time when a directive from the governor's office came down to include other companies as part of underwriting syndicates for HDA offerings?
A I am not.
Q Did you ever hear that the governor's office requested that specific underwriters be included in a state police radio offering that occurred in 1985?
A No, sir, I don't.
Q Do you have any knowledge of that transaction --
A No, sir.
Q -- or the bond offering to finance the system?
A No.
Q Okay. Did you ever have any conversations with any of the HDA staffing members with regard to

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Mr. Lasater's reported drug use?
A I don't remember if I did or not.
Q Other than your discussion with Mr. Nash, where you told him you thought it was wrong to have the governor's office to tell you who to put on the underwriting syndicates, did you express that opinion to anybody else?
A I expressed it to Mr. Hardwicke.
Q Anyone other than that?
A I don't recall.
Q I have one more question.
Are you aware of whether the governor's office tried to bring influence to bear with regard to hiring any of the law firms that the agency used?
A No, I don't think they did. They submitted bids and we selected like that.
MR. O'CALLAGHAN: Okay. I have no further questions at this time.
And, Mr. Stout, just so you know how the process works. Normally the Majority counsel begins with the questioning and then Minority has a chance to follow-up, then we go back and forth if we feel

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the need. But hopefully we will be able to finish up quickly. And I leave you to Mr. Feuer's examination.

EXAMINATION

BY MR. FEUER:

Q Mr. Stout, this is Mitchell Feuer. I'm going to ask you some questions as well covering the same areas that Mr. O'Callaghan has already asked you about.

Do you feel that you need a break at this time, or would you rather that we keep going in other words?

A Let's finish it.

Q Would you prefer to take a short break or would you prefer that we keep going right now?

A Keep going.

Q Okay. Mr. Stout, you served on the Housing Development Agency Board while Frank White was governor of Arkansas; is that correct?

A Yes, sir.

Q Which underwriting firms participated in the agency's bond issues while Frank White was

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governor of Arkansas?

A As I recall, it was E. F. Hutton & Company and T.J. Raney & Sons and maybe Dabbs Sullivan. I don't recall. I was new on the board, and I was just getting trained.

Q Mr. Stout, I have a document in front of me that has not been faxed to you. I will identify it for the purposes of the record, it's DKSN026137. That's how we can find it again later.

MR. O'CALLAGHAN: I think actually I faxed him a similar document.

MR. FEUER: Do we have the numbers on that?

MR. O'CALLAGHAN: Mr. Stout, I'm sorry to interrupt.

Do you have a multipage document that lists all the different offerings that were done? It's got a Arkansas Development Finance Authority title on top. Then it begins with the single family mortgage revenue bonds.

It lists the underwriters, lead listed first, and then authority special tax counsel. And

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it's got Bates on it 026137 is the first page.
THE WITNESS: I've got 68 and 69. I don't think I have 67.
BY MR. FEUER:
Q It's actually page 26137. Do you have that a document where the first page is 26137?
A I don't think I do.
Q Mr. O'Callaghan -- excuse me, Mr. Stout, I'm going to describe to you a document this has not been -- this has not been faxed to you. I'm going to identify it.
Again, it's -- the document, the first page is numbered DKSN026137. And it says at the top Arkansas Development Finance Authority, bond underwriters, bond counsel and special tax counsel.
And it lists starting with 1978A, issues of single family mortgage revenue bonds. And the issues that -- the first five issues running down the left-hand column are 1978A, 1979A, 1979A, 1980A and 1982A.
And the underwriters listed for all of those bonds for those issues respectively for the

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first one is E.F. Hutton, Stephens, Inc. T.J. Raney & Sons. For the second one, 1979A, is E.F. Hutton, Stephens, Inc., T.J. Raney & Sons. For the third one, which is also labeled 1979A, is listed E.F. Hutton, Stephens, Inc. T.J. Raney & Sons and Merrill Lynch. The fourth one, 1980A, is listed E.F. Hutton, Stephens, Inc. and T.J. Raney & Sons. And the fifth one 1982A, the underwriters listed are E.F. Hutton Company, and Stephens, Inc. and T.J. Raney & Sons.
And my question is, having heard me read off that list, do you have any reason to think that that list is not accurate, and that the only firms that had participated in AHDA single family bond underwriters prior to 1983 were the firms that I listed?
A No, I don't doubt you at all.
Q Mr. Stout, who decides what underwriters will participate in AHDA bond offerings?
A The board members.
Q Does the governor of Arkansas get a vote?
A No, he doesn't.
Q Can the governor of Arkansas veto a

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decision made by the AHDA board regarding which underwriters to use?
A I suppose he gets a copy, but he doesn't -- he doesn't interfere with the selections.
Q Under -- is it correct that under the law, he has no authority to overturn a decision by the AHDA board to hire a certain group of underwriters?
A I'm not familiar with that law.
MR. O'CALLAGHAN: You're not a lawyer either, are you, sir?
THE WITNESS: No.
BY MR. FEUER:
Q Mr. Stout, was it your understanding during the period of time that you served on the AHDA board that the governor could veto the board's decision regarding which underwriters to hire?
A I have no idea. I was never made aware of that.
Q Did the agency use a greater number of underwriters after 1983 than it had used before 1983?
A Yes. In 1982, Hutton did one for us, and our interest rates were real high. And we went over

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to Dabbs Sullivan and got a reissue and got the interest rates lowered. Then we started using Merrill Lynch and some others that were reputable underwriters.
Q Why did the agency start using a greater number of underwriters?
A You got me.
Q Was there ever any discussion among the AHDA board or between the board and the staff about whether the agency should use a greater number of underwriters?
A No. We were given a line share to E.F. Hutton before 1983. And I think we just kind of started splitting it up with reputable underwriters. Stephens was a reputable underwriter. And T.J. Raney & Sons was, and Dabbs Sullivan was.
Q Did Mr. Hardwicke say anything about it being better for the agency if the agency used a greater number of underwriters?
A I don't recall.
Q How about Mr. Wright?
A I don't recall that either.

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Q When Governor Clinton came back into office in 1983 after defeating Frank White in 1982, did Clinton's Administration have a policy that the State of Arkansas should use a greater number of underwriters?
A Not to my knowledge.
Q Did he have a policy that the state should include local underwriters in state bond offerings as much as possible?
A Not to my knowledge.
Q When you spoke on the phone to Mr. Nash, was he making a suggestion that the agency should consider including the Lasater firm as a bond underwriter?
A I took it as a suggestion.
Q Mr. Nash wasn't your boss, was he?
A No, he wasn't. But I worked closely with him with the executive directors.
Q You were serving as a board member at that time, weren't you?
A Yes, sir.
Q And you had been appointed by Frank White?

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A Yes, sir.
Q And did that appointment have to be approved by the Arkansas legislature?
A I'm not sure. I don't know.
Q Was Mr. Nash in a position to fire you?
A No.
Q Was Governor Clinton in a position to fire you?
A No.
Q You had a term, and you were entitled to serve until the end of that term, weren't you?
A Yes, sir.
Q So Bob Nash wasn't really in a position to instruct you to do anything, was he?
A I suppose he wasn't.
Q He wasn't in a position to direct you to do something, was he?
A No, but when he called, we usually did it.
Q Was that because when he called, he usually had a good idea?
A Who knows.
Q When you had that conversation with

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Mr. Nash, could you have told him to go to hell?
A I should have. No. When the governor's office calls, it's a pretty strong suggestion, and that's the way we took it.
Q But the governor's office doesn't pick bond underwriters for the agency, does it?
A No, they're not supposed to.
Q Did they pick bond underwriters for the agency in this case, or did they make a suggestion to you that this was a local firm that should be included?
A You can take it either way you want. I don't know.
Q Mr. Stout, I'm going to ask you to take a look at the board of directors meeting minutes for February 17th, 1983. Do you have those? Do you have those?
A I'm looking for them.
Q And I'll tell you, I believe that you should have. There are two documents that -- two sets of minutes that both have the date February 17th, 1983 on them. One is a one-page --

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A I've got it.
Q -- minute, and that says at the top minutes, Arkansas Housing Development Agency subcommittee meeting.
A Yes.
Q And there's another document that's five pages long. It says minutes, Arkansas Housing Development Agency, board of directors meeting, February 17th, 1983.
So we've got minutes of a subcommittee meeting. And we've got minutes of a board of directors meeting, and they both took place on the same date, February 17th, 1983.
Do you have those two things?
A I'm still looking for the second one.
MR. O'CALLAGHAN: You know, I don't think I sent that.
THE WITNESS: I don't think I have a second one.
BY MR. FEUER:
Q Okay. Mr. Stout, let me describe to you what I have. I have a five-page document. It says,

minutes, Arkansas Housing Development Agency, board of directors meeting, February 17th, 1983.

It has a signature at the end, on the last page, Charles Stout, Chairman, and there's a signature above that.

Let me read to you a little bit from the first page, it says, "the board of directors of the Arkansas Housing Development Agency met for the regular monthly meeting on Thursday afternoon, February 17th, 1983 in the agency's conference room. Board members present were Chairman Charles Stout, Vice Chairman Mort Hardwicke, Secretary Robert Hammerschmidt, Tommy Edwards, Betty Walker, Fred Dacus" did I say that right? Is it Dacus --

A Yes, sir.

Q -- " Mahlon Martin and George Wright."

And I'm going to skip to page 3 of these minutes for a moment. And the second full paragraph on page 3 reads, it begins as follows, "Mr. Hammerschmidt mentioned the problems we have had in the single family bond issue and the agency's attempts to find a solution to make the program



work. He called on Linda Trent to present to the board a proposal received by the agency."

And then I'm going to skip ahead a little bit. It says, "Ms. Trent then called on Mr. Dabbs Sullivan, Junior, with Dabbs Sullivan, Division of George K. Baum Company to present the proposal to the board."

I'm going to skip again to page 4 where that -- that same paragraph that begins on page 3, it ends on page 4. And it reads as follows, "after allowing time for questions and discussion, Chairman Stout recommended that the board allow the housing subcommittee to have final approval of the composition and breakdown of underwriters in the proposal. Mrs. Betty Walker moved the recommendation be accepted, and Tommy Edwards seconded the motion with the full board voting aye."

Do you remember a meeting of the AHDA board where Dabbs Sullivan made a proposal to the board?

A I think this was when we were getting out of the high interest rates. I believe that's what it was. I don't remember.

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Q And do you think that the reference that I read to you about what Mr. Hammerschmidt mentioned the problems we have had in the single family bond issue, do you think that refers to the high interest rate situation that the agency was in with the Hutton Company that you testified to earlier?
A Yes, I think it was. I don't recall specifically, but I think that's what it was.
Q Do you recall that the board approved your recommendation that a subcommittee called the housing subcommittee have final approval of the composition and breakdown of underwriters in the proposal?
A I don't recall.
Q Okay. Now, Mr. Stout, I would like you to take a look at the -- another -- a one-page set of minutes dated February 17th, 1983 regarding the Arkansas -- it says at the top, minutes, Arkansas Housing Development Agency, subcommittee meeting, February 17th, 1983.
Do you have that in front of you?
A Yes, sir.
Q Is that your signature on the bottom of

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that page?
A Yes, sir.
Q Do you see in the first paragraph on that page where it reads, "the subcommittee consisted of Chairman Charles Stout, Vice Chairman, Mort Hardwicke and Fred Dacus? Do you see that?
A Yes.
Q Was that accurate, did the -- did the AHDA board form a subcommittee that consisted of yourself, Mr. Hardwicke and Mr. Dacus?
A I don't recall.
Q Who was Fred Dacus?
A He was a board member from Jonesboro, Arkansas.
Q Who appointed Mr. Dacus to the AHDA board?
A I think Frank White did.
Q Do you see the second paragraph on that page where it reads, "Chairman Stout called the meeting to order and stated that the purpose of the meeting was to discuss a proposed solution to the problems with the current single family bond program. After discussion, it was determined that

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the composition and breakdown of underwriters in this proposal be as directed below."

And it reads, Dabbs Sullivan, Division G.K. Baum Company, and Blyth Eastman, Paine Webber, 60 percent. T.J. Raney and Sons, Stephens, Inc. Collins, Locke & Lasater, Inc. 40 percent. And then in parentheses, it says 13 and a third percent each.

Do you see that?

A Yes, sir.

Q Did a subcommittee consisting of you, Mr. Hardwicke and Mr. Dacus determine that the Dabbs Sullivan division that the Blyth Eastman, Paine Webber Company and that the T.J. Raney & Sons firm, the Stephens, Inc. firm and the Collins, Locke & Lasater firm would participate in this single family bond program as is stated in this minute?

A That's what the minutes say. I don't recall anything about the meeting.

Q Do you have any reason to think that this board minute is inaccurate?

A I have no reason to think otherwise.

Q Is it your general impression that the

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minutes of meetings of the AHDA board and of subcommittees of the board accurately reflect what went on at those meetings?

A Yes, sir, we approved them at the next meeting.

Q Now, Mr. Stout, as I read this minute, it seems to indicate that a subcommittee consisting of you, Mr. Hardwicke and Mr. Dacus decided on behalf of the entire board that the firm's listed including the Collins, Locke & Lasater firm would handle the single family bond program for the agency? Do you think I'm right in that?

A I have no idea.

Q Well, the minutes of the full board meeting on February 17th, which I understand you have not been provided a copy of. But as I stated, they read in part, "after allowing time for questions and discussion, Chairman Stout recommended that the board allow the housing subcommittee to have final approval of the composition and breakdown of underwriter in the proposal. Mrs. Betty Walker moved that the recommendation be accepted. And Tommy Edwards

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seconded the motion with the full board voting aye."
And there's a subcommittee meeting minute which you do have of that same date, which says that a subcommittee consisting of you, Mr. Hardwicke and Mr. Dacus met and determined that the composition and breakdown of underwriters in this proposal be as directed below, with the five firms listed below, the Dabbs Sullivan, Division of G.K. Baum, Blyth Eastman, Paine Webber, T.J. Raney & Sons, Stephens, Inc. and Collins, Lock & Lasater.
A I think after the board meeting, the three of us went over to Dabbs Sullivan's office, and he explained a way to get out of these high bond issues. Now, I think that's right. I don't remember.
Q So it seems like this couldn't be the board meeting that you recall where Mr. Nash called you on the phone before the board met, because here --
MR. O'CALLAGHAN: Are you talking about the subcommittee committee meeting on the same day as the other one?
MR. FEUER: That's right.

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BY MR. FEUER:
Q That here we have a subcommittee meeting where the board voted to allow you and Mr. Hardwicke and Mr. Dacus to make this decision and the three of you gentlemen made that decision for the full board later on that day; is that right?
A I have no idea.
Q Well, your recollection is that Mr. Nash called you on the phone before an AHDA board meeting; is that right?
A Yes, and I don't know what the date was.
Q And that you -- that you asked Mr. Hardwicke to get on the phone and listen to Mr. Nash; is that right?
A Yes, sir.
Q And that after you did that, and the two of you got off the phone with Mr. Nash, that Mr. Hardwicke then spoke with the other members of the board before the board decided to include Collins, Locke & Lasater as an underwriter; is that right?
A That's what I recall.

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Q And the minutes dated February 17th, 1983 that you have in front of you indicate that it was a subcommittee of the board consisting just of you, Mr. Hardwicke and Mr. Dacus that made this decision; is that right?

MR. O'CALLAGHAN: Just for clarity on the record. There are two meetings that occurred the same day, a full meeting and a subcommittee meeting. So let's be consistent.

BY MR. FEUER:

Q Mr. O'Callaghan is correct, there were two meetings on February 17th. And you're at a slight disadvantage, Mr. Stout, because you don't have the first set of board meetings in front of you.

MR. O'CALLAGHAN: You just described it to him.

BY MR. FEUER:

Q But as I described to you, the board voted to include Collins, Locke & Lasater as an underwriter on your recommendation to allow a subcommittee to have final approval of the composition and breakdown of underwriters in the proposal.

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And my question is, based on what these minutes state, does it seem like this was the -- this was the occasion when Mr. Nash called you on the phone, or does it seem like that was more likely to have been on another occasion?

A I have no idea.

Q You have the minutes of the April 19th, 1983 special executive board meeting; is that right? Can you find those?

A April what?

Q April 19th, sir.

A Yes, I have them here.

Q I'm going to ask you to look first at page 3, the last full paragraph on page 3 reads, "upon Mr. Hardwicke's request for further business, Mr. Wright made a motion that Collins, Locke & Lasater be added to the underwriting team for the agency's proposed 1983 multifamily issue in order to spread it around and include more local Arkansas underwriters on this issue. Mr. Edwards seconded the motion and the board approved same."

And the first page of those minutes state

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the board members present were, Mr. Mort Hardwicke, Mr. Tommy Edwards, Mr. George Wright and Mr. Mahlon Martin.

So the board minutes do not indicate that you were present at that meeting. Did this meeting take place while you were on the vacation to Europe that you mentioned earlier?

A I think I was. I don't recall. I know I was gone for a period of time in April, and I don't recall.

Q Do you think that the AHDA board minutes generally were accurate in stating that you were present when you were present and not stating that you were present when you were not present?

A I have no idea.

Q But you did review those -- you had an opportunity to review those board minutes after they were prepared, didn't you?

A Yes, sir.

Q And, in fact, when you were chairman, you signed the board minutes, didn't you?

A Yes, sir.

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Q If you turn to page 4 of these April 19th minutes, there's a signature Charles Stout, there's a signature above the line Charles Stout, chairman. Is that your signature?

A Yes, sir.

Q Would that indicate that you had approved these minutes and looked them over to see if they were accurate?

A Well, I signed it. I don't know if I looked them over or not. I don't recall.

MR. O'CALLAGHAN: Just so it's clear, it's dated May 19th when it was signed, a month after.

BY MR. FEUER:

Q Well, you would agree with me, Mr. Stout, wouldn't you, if you weren't present at the April 19th meeting that that can't be the board meeting where Bob Nash called you before the meeting; is that right?

A I suppose.

Q Mr. Stout, I'm going to ask you a couple of questions about a few more AHDA board meeting minutes, and again I apologize, because these have

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not been presented to you. You don't have these in front of you.

And I apologize for that. And let me say there certainly is no effort underway to try to trick you by asking you questions about documents that you don't have in front of you.

But as I said earlier, the -- we only found out about this deposition earlier today, so there wasn't much opportunity to send you materials.

MR. O'CALLAGHAN: Just so we're clear and everyone understands, minority was given notice of Mr. Stout's fax number at the same time right after I received it from Mr. Stout. Just so there's no misunderstanding.

BY MR. FEUER:

Q Now, Mr. Stout, I have in front of me three sets of board meetings from -- three sets of board meeting minutes from 1984. I don't have all -- I think there are other meeting minutes from 1984.

I happen to have three in front of me. And the board meeting minutes from June 14th, 1984 state in the second paragraph, board members present were

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Chairman Mort Hardwicke, Vice Chairman George Wright, Mr. Charles Stout, Mr. Fred Dacus, Mr. Tommy Edwards, Ms. Betty Walker, Mr. Mahlon Martin, Ms. Margaret Davenport, Bill Mathis and Mr. Troy Burris.

Were you present at the board meeting on June 14th, 1984?

A I don't recall being there at all.

Q Do you have any reason to think that these board -- that the minutes are inaccurate when they say that you were present?

A I have no idea.

Q I have in front of me the minutes of an executive board meeting of the AHDA from August 16th, 1984. And the second paragraph of those minutes states board members present were, Chairman Mort Hardwicke, Mr. George Wright, Mr. Charles Stout, Mr. Tommy Edwards, Ms. Betty Walker, Mr. Mahlon Martin, Mr. Bill Mathis, Ms. Margaret Davenport, Mr. Troy Burris and Mr. James Branyan.

Were you present at the AHDA executive board meeting on August 16th, 1984?

A I don't recall.

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Q But earlier in your deposition, you stated that you didn't attend any board meetings in 1984; is that correct?
A I don't remember attending any in 1984.
Q Do you have any reason to think that these minutes from 1984 are inaccurate when they state that you did attend meetings?
A I have no idea.
Q I have one more set of minutes from 1984 in front of me. These are the minutes of a special board meeting of the AHDA on December 12th, 1984. And the second paragraph reads board members present were Chairman Mort Hardwicke, Vice Chairman George Wright, Mr. Bill Mathis, Mr. James Branyan, Mr. Troy Burris, Mr. Charles Stout, Mr. Fred Dacus, Mr. Mahlon Martin and Ms. Margaret Davenport.
Did you attend the special board on December 12th, 1984?
A I don't recall.
Q Do you have any reason to think that these minutes are inaccurate when they state that you did attend that meeting?

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A No, I don't. I don't recall attending any meetings after I went off as chairman of the board. I may have, but I don't remember.
Q Is it possible that you may have forgotten things about board meetings in 1983?
A I may have forgotten things about many board meetings in 1983 and '84 and '82 and '80, that's been a helluva long time ago.
Q Yes, it has, I certainly agree with you on that.
A I told you I had a stroke since then. I don't remember a lot of things.
Q Mr. Stout, I'm going to ask you a question, and I don't mean any disrespect with this question. I ask it only because this committee has been charged by the full Senate to try and get the facts as best we can. And lots of different people are being asked questions.
And we're holding public hearings where people are called to testify, and for some people, their reputations may be involved as well. So it's a very important endeavor that we've embarked on. And

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I don't mean any disrespect when I ask you this question.

My question is this: Has the stroke that you suffered since 1983 made it difficult for you to recall how things that took place a number of years happened?

A Yes, I had to teach myself to write all over again. It's been very difficult to remember. I just remember the large happenings. I don't remember the details of everything. When I was reading these minutes today, I didn't remember hardly anything about them.

Q Thank you, sir.

Mr. Stout, I'm just going to ask you a few more questions.

Is it your recollection that when Mr. Nash called you and you got Mr. Hardwicke on the line that all of the other AHDA board members were present in the agency's offices and were about to vote on the selection of underwriters for a bond issue?

A That's what I recall.

Q And is it your recollection that after you

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and Mr. Hardwicke got off the phone with Mr. Nash that Mr. Hardwicke spoke to all of the other agency board members?

A I think that's what happened. That's what I recall.

Q And is it your recollection that then the full board had a meeting following shortly after that phone call where the board voted to include the Lasater firm as one of the agencies underwriters?

A Yes, sir.

Q I'm just going to take a look at my notes for a minute, Mr. Stout, and see if there's anything else I need to ask you right now.

A Okay.

(Pause.)

BY MR. FEUER:

Q Mr. Stout, are you familiar with Dabbs Sullivan, do you know who he is?

A Yeah, I know him well.

Q And who is he?

A He's the Sullivan that owns the Sullivan agency. I don't think he owns it any more. He's

close to my age.
Q And what was your impression of who he was in 1983?
A Well, I knew he has been in the bond business a while. I had read about his company or his dad's company. I respected him. He was a very knowledgeable person.
Q And your recollection is that on one occasion after he made a proposal to the full board, that you and Mr. Hardwicke and Mr. Dacus went over to his office?
A Yes. With Linda and Hammerschmidt and Mitch Pugh. I recall that. And he laid out the plans. I think this bond issue was reissued. I'm not sure. But we were trying to get out of a high interest bond issue.
Q And the agency hired Mr. Sullivan's firm to get out of that bond issue, didn't they?
A I suppose that's true.
Q Was that the first time that Mr. Sullivan's firm was involved in underwriting single family -- single family bonds for the agency?



A I have no idea. The reason I remember this, the agency director told us about his plan, and I suggested that Mitch and Linda go over. And Bob said well, if we take Mitch, he'll get back the E.F. Hutton & Company, and I said I'm not going unless Mitch goes. That's why I remember, see?
Q Do you recall any discussion at all at the time that the agency hired the Dabbs Sullivan firm to help get out of this -- help the agency get out of this problem that it was a good thing to hire the Dabbs Sullivan Company because they were a local firm?
A Yes, they were a reputable firm, a very knowledgeable firm. And he showed us a way we could get out of these high interest rates, and I think we took him up on it. I don't recall.
MR. O'CALLAGHAN: I think Mr. Feuer's question was directed to whether or not they were hired because they were a local firm from Arkansas.
BY MR. FEUER:
Q Well, the question was not whether they were hired because they were a local firm.

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My question was, do you recall discussion at that time about the fact that they were a local firm?

A No, I don't.

Q Do you recall any discussion at all in connection with that bond issue where the Dabbs Sullivan Company was hired about using Arkansas firms?

A No, I don't.

Q Mr. Stout, was it Mr. Nash's habit to call you on the phone and tell you to do this or do that?

A No, it wasn't. I think that's the first phone call I ever got from him as I recall. I've called him a few times.

Q How would you describe Mr. Nash? Is he a bossy fellow, or is he an easy going fellow?

A He's real easy going. I think a lot of Bob. I think he's a swell person.

Q Did he make any threats to you in that conversation that you had?

A Oh, no, no, no, no.

Q He didn't say if you don't include the

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Lasater firm, I'm going to do this or I'm going to do that or something else is going to happen?

A No, no, no.

Q Did he mention Governor Clinton's name?

A No, he didn't.

Q Did he say to you, gosh, I know this is wrong, I feel terrible asking you to do this, but I've got to ask you anyway? Did he express any discomfort at what he was discussing with you?

A I don't remember.

Q So he didn't say -- he didn't say I'm sorry for what I'm about to ask you, anything like that?

A I don't recall him saying that.

Q After you and Mr. Hardwicke hung up the phone with Mr. Nash, was it still your decision and that of the other AHDA board members together to decide which underwriters the agency would use?

A Besides Lasater, I think it was.

Q And what would have happened if -- what would have happened if you didn't include Lasater?

A Who knows. I don't think anything would have happened.

MR. FEUER: Okay. I have no more questions right now, Mr. Stout. Thank you.

EXAMINATION (Continued)

BY MR. O'CALLAGHAN:

Q Mr. Stout, I've got a few follow-ups. I will try to be as quick as possible.

You said this was when Mr. Nash called you to tell you to include Lasater in the underwriting group, you said it was the first time he ever called you that day that you recall?

A That's the first time I ever recall him calling me.

Q Was it your impression that this was a pretty important message he wanted to deliver to you?

A Yes.

Q That's why you and the other board members decided to put Lasater & Company in underwriting groups with AHDA bond yields; is that right?

A Yes, sir.

Q And Mr. Feuer was saying that you weren't threatened or that you weren't forced into putting -- into including Mr. Lasater's firm in



underwritings, but what was the practical effects of Mr. Nash's request? Did you really have a choice?

A I didn't consider it a choice. He made a suggestion, and I usually go by suggestions when it's in the governor's office.

Q So when the governor's office says do something, you do it; is that right?

A Yes, sir.

Q And you said this is the only instance that you recall of the governor's office getting involved in choosing underwriters; is that right?

A Yes, sir.

Q Okay. You mentioned other underwriters that were included in ADFA's deals or HDA deals, T.J. Raney, Dabbs Sullivan and Stephens, the other local firms, you said they're all reputable firms; is that right?

A Yes, sir.

Q Were you under the impression that Mr. Lasater's firm wasn't reputable?

A I wasn't familiar with it all.

Q So you didn't even know about them when you

included them in the deal; right?
A No.
Q I'm sorry, that was no?
A Sir?
Q That was no?
A No.
Q Okay. Mr. Feuer was asking you about your memory and the event of your stroke. You said you forgotten some things because of that; is that right?
A Yes, sir.
Q But then you said you remember the big events; is that right?
A Yes, sir, that's true.
Q Now, did you consider Mr. Nash's phone call to be a big event?
A Yes, sir, I did.
Q So this was the type of big event that you recalled and it sticks in your mind even after the stroke?
A Yes, sir.
Q Okay. Mr. Feuer was asking you specifics about the phone call and whether the board went in



and voted right after the phone call and what the circumstances were.

But is it possible that you got the phone call, and then Mr. Hardwicke called in the other board members and told them about Mr. Nash's call and they all agreed to include Lasater & Company in deals, but then a full board member vote didn't happen?
A That could have happened. I don't really recall.
Q You just remember that he spoke with all the board members; right?
A Yes, sir.
Q That's a clear memory; is that right?
A Yes, sir.
Q And your recollection is that all the other board members agreed to include Lasater & Company in AHDA bond deals for 15 percent for the -- for the future as well; is that right?
A Yes, sir.
Q As well as for the issue that you were considering at the time?

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A Yes, sir.
Q And Mr. Feuer also referenced some board meetings that listed you in attendance in 1984. And you had initially stated that you didn't think you were at any of those meetings. Is it possible that you did go to a couple of those meetings?
A I don't recall attending any meetings in 1984. It's possible I did, but I don't recall.
Q Were you not as involved in the agency in 1984?
A No, I wasn't involved very much.
Q You weren't chairman any more; is that right?
A That's true.
Q So maybe your interest wasn't as intense as it was when you were chairman?
A That's true.
Q Okay. Okay. Mr. Feuer asked you earlier whether the governor had got to vote on which underwriters to choose and you said no. But you said he did during the case with Lasater; is that right?
A Say again.

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Q Let me rephrase the question. Mr. Feuer asked you earlier whether the governor got to vote on underwriters and you said no; is that right?
A Yes.
Q But in effect, did he have the -- did he make the selection of underwriters with regard to Lasater?
A Bob Nash did.
Q Okay. So the governor's office had effectively picked one of the underwriters that was included in AHDA bond deals; is that right?
A Yes, sir.
Q Okay. One other issue Mr. Feuer asked you whether there was a policy in place to include more underwriters under Mr. Clinton's Administration. And you said you weren't aware of one; is that right?
A I'm not.
Q And do you think you would be one of the first people that would have been told about that as chairman of the HDA?
A I would think so.
Q And Mr. Nash would probably be the one to

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tell you that; is that right?
A Yes, sir.
Q Did you consider Mr. Nash's directive to include Lasater & Company in HDA bond offerings to be -- would you characterize that as an outrageous request?
A I would term it unusual.
Q Okay. And just so we're clear. You stated that when Mr. Nash called you and afterward -- after that, the board included Lasater as one of the bond underwriters in one of its issuances. Did you state earlier that was the first issue that you recall that Lasater & Company participated in HDA bond offering?
A That's the first one I recall.
MR. O'CALLAGHAN: Okay. I have no further questions at this time, Mr. Stout.
EXAMINATION (Continued)
BY MR. FEUER:
Q Mr. Stout, this is Mitchell Feuer again. Just a few more questions.
MR. O'CALLAGHAN: Mr. Stout, for the record it seems you've raised enough interest for us to be

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willing to go over an hour, so we appreciate your patience.
BY MR. FEUER:
Q When Mr. Nash called you, did he ask you to do something?
A I don't remember whether he asked or suggested. It's been 13 years ago. I've had a stroke. I don't recall his exact words. I don't know if he was talking singular or plural.
Q Do you think it was one or the other, though, he either asked you or suggested to you?
A Yes, sir.
Q After the Lasater firm was included in the agency's bond underwritings, did they participate in those bond underwritings just the same as the other underwriters?
A Yes, they sent a representative to all the rating meetings in New York, and they attended all the closings just like everybody else.
Q And like all the other underwriters, did they have to find purchasers for the bonds they underwrote or else get stuck owning the bonds?

A I have no idea.
Q Did they have any special deal that you're aware of?
A No, I don't.
Q Did you ever hear at all that they were receiving special treatment as an underwriter or getting paid for work that they didn't do or getting payment that they didn't deserve?
A No, sir.
MR. FEUER: I have no more questions.
THE WITNESS: Well, if I can help you all, call me tomorrow; if not, call me when you need me.
MR. O'CALLAGHAN: Okay. I think chances are very strong, Mr. Stout, that you'll be called tomorrow. And I believe -- will you be home this evening?
THE WITNESS: Yes.
MR. O'CALLAGHAN: Is it all right if I call you there tonight?
THE WITNESS: Sure.
MR. O'CALLAGHAN: Okay. Well, okay, I have no further questions at this time. So off the



record.
(Whereupon, at 8:05 p.m., the deposition was concluded.)

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CHARLES STOUT

CERTIFICATE OF NOTARY PUBLIC & REPORTER 89

I, CINDY L. SEBO, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Notary Public in and for the
District of Columbia

My Commission Expires FEBRUARY 14, 2000

# DEPOSITION OF MARGARET ROZZELL ELDRIDGE IN RE: S. RES. 120

**WEDNESDAY, MAY 1, 1996**

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER
DEVELOPMENT CORPORATION AND RELATED MATTERS,
*Washington, DC.*

Telephone deposition of MARGARET ROZZELL ELDRIDGE, called for examination pursuant to notice of deposition, at 9:40 a.m. in Room 640–A of the Hart Senate Office Building, before SHEILA M. LYONS, a Notary Public within and for the District of Columbia, when were present:

## APPEARANCES

DOUGLAS R. NAPPI, ESQ.
Majority Counsel
JAMES S. PORTNOY, ESQ.
Minority Associate Special Counsel
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PROCEEDINGS

MR. NAPPI: This deposition is being conducted pursuant to Senate Resolution 120. This Resolution establishes a Special Committee administered by the Banking Committee to conduct an investigation involving Whitewater Development Corporation and other related matters. Section 1(b) of Resolution 120 authorizes investigation and public hearings into, among other things, the operations of Whitewater Development Corporation, the activities and investments of Whitewater Development Corporation, and as related to Whitewater Development Corporation, of its officers, directors and shareholders, and the bond underwriting contracts between ADFA and Lasater & Company.

This deposition is being conducted in advance of public hearings to be held in the near future. It is likely you may be called to testify at these hearings. We will ask a series of questions. You will be testifying under oath, Mrs. Eldridge. If you don't understand a question, let me know and I will rephrase. If you need a break, let me know.

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The stenographer will prepare a record of questions and answers. The deposition will be treated as "Committee Confidential" until the commencement of the hearings. Prior to the hearings, you will receive a letter from the Committee telling you that you may come to the Senate to review the transcript of your deposition and make note of any corrections on the transcription on an errata sheet.

If you are called to testify at a public hearing, you will be permitted to have a copy of your deposition in advance of your testimony. You may be represented by counsel. Objections to the form of the question will be noted for the record. Counsel may object on grounds of privilege or relevance. The Committee Chairman may rule on objections where the witness refuses to answer a question.

Let the record indicate that Glenn Ivey has entered the room. Glenn is also a Minority counsel for the Senate Whitewater Committee.

Before we get going with the questioning, why don't we lay out for the record the agreement that we have reached between Majority and Minority

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staff and the witness.

The witness's husband is in the room. The Minority and Majority staff have agreed to allow him to remain in the room and he has agreed or he will agree on the record to adhere to the same confidentiality requirements that the witness and her attorney are bound by pursuant to the confidentiality agreement that Mrs. Eldridge signed last week.

Is that your understanding, Jim?

MR. PORTNOY: Yes, that is, Doug, thank you.

MR. NAPPI: Does that work for you, Mr. Eldridge?

MR. ELDRIDGE: Yes.

MR. NAPPI: You agree to be bound by the confidentiality agreement?

MR. ELDRIDGE: Yes.

MR. NAPPI: Okay. All right. Now that we are done with the preliminaries, let's get to the heart of the matter here, and start off with some background questions.

Whereupon,

MARGARET ROZZELL ELDRIDGE
was called as a witness and, having first been duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. NAPPI:

Q Could you please state your name for the record.

A My name is Margaret Eldridge.

Q And you are currently employed by what company, or what is your occupation?

A I'm not employed.

Q Okay. Did you speak to anyone other than counsel prior to your deposition today?

A No, sir.

Q So you have not discussed what your testimony will be with anyone other than counsel?

A No, sir.



Q Thank you very much. Mrs. Eldridge, were you ever employed at Twin City Bank?

A Yes, sir.

Q What were the dates of your employment at Twin City Bank, approximately?

A I was there from August of 1972 to October of '95.

Q Okay. During the time you were employed at Twin City --

MR. PORTNOY: I would like to apologize for the interruption. Mrs. Eldridge, this is Jim Portnoy. Joe Potter of the Minority Staff has just joined us and will be sitting in on the deposition, and we wanted you to be aware of that, since you are on the telephone and can't possibly see what is going on. Also, Mr. Ivey has departed, so there are still only two of us on this side.

BY MR. NAPPI:

Q So you joined the bank in August of 1972?

A Yes, sir.

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Q What position did you hold at that time?
A I was a management trainee.
Q How long were you a trainee?
A About a year.
Q And then did you become an officer of the bank?
A Not right at that time, I don't believe.
Q Okay. Why don't you quickly run us through the chronology of jobs you held at Twin City Bank and the dates of those jobs.
A Sir, I wouldn't be able to be real accurate on the dates. I can be close.
Q Okay. Approximations would be fine.
A I was a trainee for -- from '72 to '73, and then I was our credit department manager. And then somewhere in there, I was promoted to what was called loan administration officer, and then I think it was 1978, I was promoted to vice president.

I was in charge of the corporate administration division, and held that capacity until, I think it was around October of 1988 and I was named executive vice president. Now, somewhere

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in there, I was promoted to senior vice president. And then in 1988, I was named executive vice president.
Q What were your duties as senior vice president?
A As senior vice president?
Q Yes.
A I was responsible for the corporate administration area of the bank.
Q Can you explain what that is?
A Well --
Q Is it an operations officer?
A To put it in terms that maybe would be understandable from your perspective, I was secretary to the board. I worked with the chairman on administrative issues. I had regulatory compliance, corporate planning for a period of time. I had the human resources function. Part of that time I had the credit administration area for Twin City Bank.

I had oversight of Twin City Bank litigation, and at some period of time, I had responsibility for the investment portfolio of the

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bank.
Q Okay. You say you were in charge of credit administration?
A Yes, sir, for Twin City Bank, for a period of time.
Q Okay. What would that entail, what were your duties and responsibilities?
A I had -- now, this is while I was senior vice president, is that the question?
Q Yes.
A Let's see. The credit administration area we had -- the reason I'm hesitating is because we reorganized so many times, I'm trying to remember which piece I had at that time. The responsibility for what we called our credit department, which maintained Twin City Bank's loan records, loan files, computer records of customers accounts, did credit investigation on customers.
Q So they oversaw the bank's due diligence and management of loans?
A No, sir.
Q No, they did not?

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A No, sir. They oversaw the records.
Q Okay.
A Due diligence on loans was performed by loan officers, which reported to another area of the bank.
Q So you oversaw the recordkeeping function with respect to loan administration?
A Yes, sir.
Q Okay. What about your regulatory compliance duties, did that involve contact with federal and state regulatory agencies?
A Yes, sir. I had the overall responsibility for ensuring that the bank was in compliance with all legal and regulatory matters, from the sense of, I made sure we had systems in place to communicate any changes in regulations to the various division heads, who then had responsibility for implementation. I had -- oh, as a performance standard there wouldn't be any -- there weren't surprises in our exam, that we were in compliance.
We were very diligent to try to make sure we followed all banking regulations. And my function

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was basically a distribution of information function, and the department heads had responsibility for carrying out the applicable laws.

Q Okay. Did you have fairly frequent contact with the Arkansas State Banking Department?

A No, sir, I did not. The only contact I had with them would be when they came to the bank for an exam, and we would help them get organized and set up, and make sure that they had all the information that they needed.

Q You would liaison with the examination staff?

A At some point in time while I was senior vice president, I didn't do it the whole time, and I cannot remember without some kind of reference. In fact, I'm not sure I have it documented exactly which period of time, because my job changed. I was senior vice president for several years, and my job changed, as we reorganized, two or three times during that period.

Q I understand.

A But at some point in time while I was

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senior vice president, that is a good description of what I did.

Q Okay. But do you feel like you have given a fairly complete description of your official duties while you were senior vice president?

A Yes, sir.

Q Okay. At some point you became executive vice president?

A Yes, sir.

Q And you held that position until you left the bank?

A Yes, sir.

Q Okay. What were your duties as executive vice president?

A I was responsible for our -- what we called our consumer banking division, and that entailed -- that also was reorganized a couple of times while I held it. So at some point in time, it entailed all of the bank's marketing and operational activities, as well as the bank branches and all of the consumer products, those products that were not directed toward commercial customers or trust customers.

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Q Did you have any other responsibilities?
A I was, let's see, I was secretary to the board of directors, still, and I was chairman of the board -- somewhere in, I think it was like '92, I became chairman of the board of our bank in Waltham. I believe it was '92. I may be off on the date, but it was sometimes in the '90s.
MR. PORTNOY: Mrs. Eldridge, this is Jim Portnoy. You indicated that you had some responsibility for bank branches?
THE WITNESS: Yes, sir.
MR. PORTNOY: Could you elaborate on that was? Was that a marketing responsibility?
THE WITNESS: Yes, sir, my responsibility was to select sites, construct the branches, staff the branches, provide the consumer products for the branches. I also oversaw lending people who were in the branches, and was basically responsible for the day-to-day operation of the branch system.
BY MR. NAPPI:
Q When were you promoted to executive vice president? You said it was in 1988. Do you recall

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the date?
A I believe it was in October.
Q And did you consider this to be a significant promotion? Did you have significant -- did your job responsibilities and your status within the bank improve?
A Well, I'm not sure managing 300 people is an improvement in your job responsibility.
Q But it was a more demanding job?
A Yes.
Q Did it come with a salary increase?
A My promotion?
Q Yes, ma'am.
A Sure.
Q A significant salary increase?
A No, sir, it wasn't significant. Depends on, you know, I guess on your point of view.
Q I don't want to ask what your salary was, but --
A I don't recall it -- I don't recall it blowing my socks off.
Q Was it a percentage increase from senior VP

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to executive VP?
A I'm sorry, I didn't hear.
Q Do you recall the percentage increase in your salary when you were promoted to executive vice president?
A No, sir, I don't recall it. It's a natural progression in our bank.
Q And as secretary to the board of directors, did you have pretty regular contact with the directors?
A With our local directors? The directors of Twin City Bank?
Q The directors of Twin City Bank.
A Yes, sir, I saw them every month.
Q And you say you were an assistant to the chief executive officer?
A No. I was trying to characterize that for you. I wouldn't call it an assistant, but I worked with him on a corporate administration type duty.
Q Okay. And that would be Mr. Penick?
A No, sir.
Q Who would that be?

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A That would be Terry Renaud.
Q Could you spell that name for the record?
A R-e-n-a-u-d.
Q Okay. While you were at -- well, let's focus on the time you were senior vice president and executive vice president.
A Okay.
Q And all my questions regarding your employment at Twin City will be directed at that time.
A Okay.
Q Did your job responsibilities entail lobbying work or legislative affairs work?
A It did not entail lobbying work. Because of my regulatory compliance work, I did keep up with legislative matters.
Q Yes. But I'm talking, was one of your specific responsibilities reaching out to elected officials or appointed officials?
A For the purpose of lobbying?
Q Yes.
A No, sir.

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Q Or discussing legislation, pending legislation or regulatory matters?
A Well, I may discuss clarification of regulatory issues with regulatory officials, but I never had, as a responsibility, being the bank's lobbyist.
Q Okay. You mentioned Mr. -- and I'm sorry if I mispronounce the name -- Terry Renaud?
A Renaud.
Q He was the CEO?
A Yes, sir.
Q Do you recall the dates that he was CEO?
A He was CEO the entire time I was at the bank, sir.
Q Okay. Did you have daily contact with him?
A Yes, sir.
Q Do you know Ed Penick?
A Yes, sir.
Q What was his responsibility at the bank, or what was this is title?
A He was like me, our jobs changed over that many years. Which period of time do you want?

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Q All right. Let's deal with the years 1984 through 1988.
A I don't know the exact date, but at some point during that, Mr. Penick was the president of the bank. I don't recall when he was named president, whether it was prior to that or whether he was president during that entire time, but I believe he was president that entire period.
Q Okay. Did Mr. Penick report to Mr. Renaud, or did Mr. Renaud report to Mr. Penick?
A Mr. Penick reported to Mr. Renaud.
Q What about an individual named Bob Birch, do you know him?
A Yes, sir.
Q What was his title at Twin City Bank?
A I believe he was, during that period of time, probably senior vice president and executive vice president. I don't remember when he got his promotion, either.
MR. PORTNOY: I'm sorry, I didn't hear. Who were you asking about?
MR. NAPPI: Bob Birch.

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MR. PORTNOY: Thank you.
BY MR. NAPPI:
Q Do you know an individual named Susan Sisk?
A Yes, sir.
Q She worked at Twin City Bank?
A Yes, sir.
Q And what was her responsibility there?
A She was a loan officer.
Q Okay. And what about Charlotte May?
A I believe Charlotte May was the executive director of the Bank Holding Companies Association.
Q So she worked for a trade organization?
A I believe so, yes, sir.
Q Okay. And that was during this time period we are focusing on, the --
A I don't recall.
Q Well, I won't hold you to it. Did she work at that trade association during that time, to the best of your recollection?
A I'm not sure of the time period, sir. I just remember Charlotte worked for that trade association. That is the way that I knew of her.

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Q All right. Do you know an individual named Dale Renaud?
A Yes, sir.
Q Is he a relative of Terry Renaud?
A Yes, sir.
Q Is he a son or cousin?
A Brother.
Q He is a brother. Okay. Did he work at Twin City?
A Yes, sir.
Q What title did he hold during this time period?
A Let me reflect on my answer just a minute ago. I don't know for sure that Dale worked at Twin City during this time period. I just know that he worked at Twin City for a period of time. And when he worked for Twin City, he was a vice president in charge of our operations division.
Q Any of these people I just mentioned, these Twin City -- or people affiliated with Twin City, to the best of your knowledge, did any of them serve on the board of directors of First Ozark Bank?

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A Yes. Ed Penick was, as I recall, was chairman; and Dale Renaud, as I recall, was president of the bank at one point.
Q What about Susan Sisk?
A I don't recall anything about Susan.
Q Okay. What about Terry Renaud?
A I don't recall if he was officially on the board or not. He was chairman of the holding company, so he may have been ex officio to the board. I just don't recall.
Q And the holding company was TC Bankshares?
A Yes, sir.
Q Do you know Hillary Rodham Clinton?
A Sir?
Q Do you know Hillary Rodham Clinton?
A Yes, sir. And I'm having a little bit of difficulty hearing you.
Q I'm sorry. Let me see if I can finagle with the volume here.
MR. THURMAN: Whatever you did, it improved it a great deal.
MR. PORTNOY: It's a technological marvel.

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We moved closer to the microphone.
BY MR. NAPPI:
Q Can you hear me now?
A Yes, sir.
Q Excellent. Do you know Hillary Rodham Clinton?
A Yes, sir.
Q Do you recall when you first met her?
A Sometime in the early '70s.
Q Can you describe your relationship with her, was she a friend?
A Yes, sir, we were personal friends.
Q So was it solely a personal friendship? Did you ever have any business relationships with her?
A Did I have any kind of what?
Q Business relationship. Did you have business dealings with her?
A Oh, business, when we were both young associates at our institutions, we worked together on a litigation matter.
Q Okay. Did you have weekly lunches with

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Mrs. Clinton?
A No, sir, I did not have weekly lunches with Mrs. Clinton.
Q Did you get together with her frequently?
A No, sir.
Q Did you know --
A I saw Mrs. Clinton maybe three or four times a year.
Q Okay. What about Bill Clinton, did you know him?
A Yes, sir.
Q Was it a personal friendship, or could you describe your relationship with him?
A I would consider our relationship a friendship. I also supported his candidacy.
Q What about contact with him; the same, three or four times a year?
A I didn't -- I don't believe I saw him as frequently as I saw Mrs. Clinton. Mrs. Clinton and my relationship was a friendship.
Q Okay. Prior to the time that TC Bankshares acquired First Ozark National Bank, did you ever

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discuss Mrs. Clinton's investment in Whitewater with her?
A No, sir.
Q Do you recall when TC Bankshares acquired First Ozark?
A No, sir, I do not.
Q I'm not asking the specific date. Do you have a recollection of TC Bankshares acquiring First Ozark?
A Yes, sir.
Q You do. Okay. Do you know an individual named Wes Strange?
A Yes, sir.
Q Was he an employee of TC Bankshares -- excuse me, First Ozark?
A Yes, sir.
Q What was his job at First Ozark?
A What was his job?
Q Yes.
A Is that what you said?
Q Yes, ma'am.
A He was president.

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Q What about Vernon Dewey?
A I don't know Vernon Dewey.
Q You don't think you have ever met Vernon Dewey?
A It's possible I met him, but I don't recall him.
Q Okay. What about Ron Proctor?
A Yes, sir, I know Ron.
Q Do you know him from his employment at First Ozark?
A Yes, sir, but I know him because he trained in the lending department at Twin City for a period of time.
Q Do you recall, was this after the acquisition of First Ozark?
A Yes, sir. It was to teach him our loan policies and practices.
Q And he was an employee of First Ozark at that time?
A Yes, sir.
Q Did you have regular contact with any of the employees at First Ozark National Bank after it

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was acquired by TC Bankshares?
A No, sir, not regular contacts.
Q Could you describe the types of circumstances in which you would have contact with the employees of First Ozark?
A One of my responsibilities, as I mentioned earlier, was human resources, and I was charged with making sure that all of our newly acquired banks adopted all of our personnel policies and were trained on what the benefits were and those kinds of things; so I had contact there. And one of my areas of responsibility was our wire transfer function, so from time to time, there might be a question about interbank transfers. And one of my associates managed the investment portfolios for the affiliates.

So from time to time, I would look at the performances and I might discuss a particular investment with the CEO, but it was very, very infrequent.
Q Okay. The CEO of First Ozark?
A Yes, sir. Am I speaking loud enough?

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Q Yes, you are. I can hear you.
A Okay.
Q Who was the CEO of First Ozark?
A I believe it was Wes Strange.
Q So he was president and CEO?
A Yes, sir.
Q Did you ever make inquiry to anyone at First Ozark regarding the Whitewater loan?
A Not that I recall, sir.
Q And you know --
MR. THURMAN: Excuse me just a minute. Somewhere down the line I think you are flipping papers and sending a tone across the line that cuts you out.
MR. PORTNOY: Let's go off the record a second.
(Discussion off the record.)
MR. THURMAN: Mr. Eldridge has left the room.
BY MR. NAPPI:
Q Okay. Mrs. Eldridge --
A Yes, sir.

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Q -- do you recall when you first became aware that the Clintons had a commercial real estate loan at First Ozark Bank?
A No, sir, I don't recall.
Q Do you recall becoming aware that they had the loan that I would like to refer to as the Whitewater loan?
A Yes, sir, I do recall becoming aware of it.
Q Was that during your time, was that during this time period between 1984 and 1988?
A My recollection of when I realized that they had a loan at our bank in Flippin was when I started reading all about your Whitewater investigations.
Q Okay. So it would have been subsequent to Bill Clinton's election as President?
A I don't know --
Q Let me put it this way --
A The truth of the matter is I really don't know at what point I became aware of that issue.
Q Okay.
A I wouldn't be able to pin it down.

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Q Did you become aware of it from reading about it in the press?
A Sir, I just don't have a recollection. This thing has been going on for so long, I don't have any recollection of what precipitated me to be aware of it.
Q Okay. Do you recall having any contact with any employee of First Ozark Bank regarding the loan that the Clintons had outstanding at First Ozark?
A No, sir, I do not recall that.
Q Do you recall having any contact with Hillary Clinton?
A No, sir, I don't recall it.
Q Do you recall any contact with Bill Clinton regarding this loan?
A No, sir.
Q Do you recall any contact with anyone in the Arkansas governor's office regarding this loan?
A No, sir.
Q Did you ever discuss this loan with Bruce Lindsey?

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A No, sir.
Q Did you ever discuss this loan with Ed Penick?
A Not that I recall, sir.
Q Did you ever discuss this loan with Terry Renaud?
A Not that I recall, sir. Well, no, let me back up --
Q Sure.
A -- the past two answers, I recall recently discussing -- well, I guess the answer is I didn't discuss the loan specifically, no, not with Ed Penick. And I don't recall discussing the loan specifically with Terry Renaud, other than at some point when I was aware that our bank in Flippin was the bank tied to this Whitewater loan. I do remember saying can you believe this, you know. That kind of conversation, not anything in specific about it.
MR. PORTNOY: Mrs. Eldridge, it's Jim Portnoy again. I'm trying to place these conversations in time. Did they occur after Bill Clinton was elected President?

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THE WITNESS: Yes, sir.
MR. PORTNOY: Do you recall if they occurred after the Senate began looking into these matters?
THE WITNESS: Yes, sir.
MR. PORTNOY: So they are fairly recent conversations?
THE WITNESS: Yes.
MR. PORTNOY: Thank you.
BY MR. NAPPI:
Q Okay. You say -- I think you testified or described specific conversations about the loans. When I'm asking you about conversations about loans, I'm not just asking about the nuts and bolts of the loan agreement. I would be asking about anything to do with the banking relationship with the Clintons, if you will.
A The only banking relationship with the Clintons that I ever recall discussing with Hillary was the savings account we had for Chelsea.
Q And would this be at Twin City Bank?
A Yes, sir, it was, which was, I believe it

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was opened up when she was born. Other than that, I have no recollection of discussing any other banking relationships with Mrs. Clinton.
Q Okay. And you don't have any recollection of discussing the Clintons's banking relationship with First Ozark --
A No, sir.
Q -- with anyone from First Ozark Bank?
A I have no recollection whatsoever of that.
Q Do you ever any recollection of discussing the Clintons's banking relationship with First Ozark with anyone affiliated with Twin City Bank?
A No, sir.
MR. THURMAN: You are talking about while she was still employed and while they were --
MR. NAPPI: Yes. Again, I'm sorry.
MR. THURMAN: Let's make sure, when you ask her if she had any conversations with anybody, let's identify the time, because she may have had conversations recently, and that is what she said. She had no conversations otherwise than recently, and that was after the press reports came out.

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THE WITNESS: Let me just see if I can be very clear on this. I don't have any recollections about this loan. I just don't have any.

BY MR. NAPPI:

Q And I'm sorry if I wasn't clear. I was focusing you on the time period between the beginning of 1984 and the end of 1988.

A I have no recollections about this loan.

Q Do you recall ever discussing with Hillary Clinton financial statements with respect to a loan?

A No, sir.

Q If you would bear with me for one minute, I'm just going through my pile of records here. The first document I would like to direct your attention to is a copy of a note pad on stationery that says "Hillary Rodham Clinton."

A Yes, sir.

Q The stamp number is DKRT 700294. Do you have that in front of you, ma'am?

A Where is the number located?

Q It's sort of hard to see. It's sideways on the right hand.

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A Okay. And what is it again?

Q DKRT 700294.

A Yes, sir, we have it.

Q Okay. Great. Could you take a minute and just review this note?

A Yes, sir, I have reviewed it.

Q The first line of handwriting says "notes with M -Port," or "notes of TK with M -Port."

A I see that.

Q Do you recall ever having a discussion with Hillary Rodham Clinton regarding the facts and figures that are described in this note?

A No, sir, I do not.

Q You would agree that it looks like a discussion regarding the Whitewater loan?

A No.

MR. THURMAN: I will object to the form of that question. She can't, I don't know what it looks like to her or to you, but the document speaks for itself.

BY MR. NAPPI:

Q Fair enough. Having reviewed this note,

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does it refresh your recollection as to any knowledge you may have had regarding the Clintons's loan at First Ozark?

A No, sir, it does not.

Q Okay. The next record I would like to direct your attention to is also a copy of notes taken on stationery that says "Hillary Rodham Clinton" at the top, and it's DKSN 029262.

A It's a handwritten note, you say.

MR. THURMAN: The ones you sent this morning?

MR. NAPPI: Yes, sir.

MR. THURMAN: Okay. We don't have any numbers on the ones you sent this morning. It's page 2 of the 12-page fax that is supposedly on Mrs. Clinton's note pad.

MR. NAPPI: Yes. The first line says, "current notes provide $1,100."

THE WITNESS: Yes, sir.

MR. THURMAN: We have that.

BY MR. NAPPI:

Q Could you take a minute to review this?

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A Yes, sir.

Q Does this reflect any conversation that you recall having with Hillary Rodham Clinton?

A Mr. Nappi, I don't recall having any conversation with Hillary Clinton about this matter, period, end of sentence.

Q Okay all right.

A I wish I did. It would be easier.

MR. PORTNOY: Off the record.

(Discussion off the record).

BY MR. NAPPI:

Q Why don't we move on to another document, another record. It's a form of personal financial statement.

A Yes, sir.

Q And at the top, it says "The Twin City Bank."

MR. THURMAN: What number?

MR. NAPPI: Unfortunately, this one does not have a number.

MR. THURMAN: What date?

MR. NAPPI: It is March 24, 1987.

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THE WITNESS: Yes, sir, we have got it.
BY MR. NAPPI:
Q It's three pages.
A Yes, sir.
Q Do you recognize this as being the form used by Twin City Bank at that time, between '84 and '88?
A We used a form similar to this. It appears to me that "The Twin City Bank" has been stamped on there. My recollection is that our forms had our name printed. So this is a little confusing to me, but we used a similar form.
Q Okay. Right next to the stamp of the Twin City Bank, right to the left --
A Yes, sir.
Q There is an initial, and under it, it says "3-26." Do you recognize that mark?
A No, sir.
Q Do you recognize the mark above Twin City Bank?
A No, sir.
Q Have you ever seen this record before?

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A No, sir.
(Discussion off the record.)
BY MR. NAPPI:
Q Okay. If I could direct your attention once more to this financial statement, do you recognize this as being a form of financial statement used by First Ozark Bank in the --
A Do I recognize it as what, sir?
Q The form of financial statement that was used by First Ozark Bank between 1984 and 1988?
A No, sir, I wouldn't know that. I didn't have anything to do with their loan records. They did use our credit policies, so that's all I know. But I did not observe their actual documents.
Q Okay. And would their credit policies have included retention of current personal financial statements in the credit file for a loan?
A At their bank?
Q Yes.
A Uh-huh.
Q That is a yes?
A Yes, sir.

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Q Okay. Would their credit policies have included periodic appraisals of certain material?
A I can't comment on that, sir, without having reviewed the policy.
Q Well, do you recall Twin City's policy at that time? And again, let's focus on the years between 1984 and 1988.
A No, sir.
Q You do not recall Twin City's policies?
A No, sir.
Q Would it be standard banking practice to, at that time period -- again, between 1984 and 1988 -- to have obtained or conducted periodic appraisals of real estate that secured loans?
A I can't comment about conducting periodic appraisals. Generally we obtained appraisals at the time the loan was made, and further reviews were the responsibility of the individual loan officers.
Q Were individual loan officers encouraged to conduct periodic appraisals?
A I don't know, sir.
Q That would have been the responsibility of

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the person in charge of a branch or particular bank within the holding company?
A The responsibility for implementing loan policy, whatever it was, was the responsibility of the CEO of the bank, if that is what you are asking me.
Q Okay. Have you ever heard of Act 539 of 1987 of the Arkansas legislature?
A I have since I reviewed these documents.
Q Do you recall in 1987 the Arkansas legislature passing legislation regarding branching in counties with populations over 200,000?
A Yes, sir, I now recall that. Yes, sir.
Q Do you have any recollection of these events in 1987?
A I just have a vague recollection.
Q Do you recall that this legislation -- would it confuse you if I referred to it as Act 539?
A No, sir, that is fine.
Q Okay. Do you recall Act 539 being a legislative priority for Twin City Bank in 1987?
A I recall us being interested in it.

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Q Can you tell me --
A I don't know if I can use the word -- I don't know what "legislative priority" means.
Q Can you describe what you mean when you say you recall the bank "being interested in it"?
A The bank was interested in being able to grow, so any legislation related to branch banking was of interest to our holding company.
Q Okay. Do you know if anyone employed at Twin City Bank was involved in the drafting of Act 539?
A No, sir, I don't.
Q Do you recall Mr. Renaud having -- Terry Renaud, excuse me -- having an interest in Act 539?
A As chairman of the holding company, Mr. Renaud had an interest in any legislation that allowed for expansion.
Q So he supported this bill?
A I believe so. I don't recall. I believe so.
MR. PORTNOY: Mrs. Eldridge, are you telling us that you recall Mr. Renaud supporting the

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bill, or are you telling us that it is your speculation that he supported the bill?
THE WITNESS: There was a lot of confusion over this at the time. And I think his position changed two or three times, so I can't answer it specifically.
MR. PORTNOY: Are you saying then that you don't have a clear recollection of what Mr. Renaud's position on this legislation was?
THE WITNESS: That's correct.
BY MR. NAPPI:
Q Who was responsible at Twin City for legislative affairs?
A Ask it another way, please, sir. Are you asking Twin City or TC Bankshares?
Q All right. I will ask, who at the holding company was responsible for legislative affairs?
A Mr. Penick.
Q Was anyone at the bank who -- at Twin City Bank, who was responsible?
A Would you define "legislative affairs"? I'm not sure what --

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Q Okay. Sure, by "legislative affairs," I mean dealing with elected officials and their staff; be it the legislature, the governor's office; dealing with the regulatory agencies, in this case the Arkansas Banking Department, with respect to proposed legislations, amendments to legislation, that would affect the bank, lobbying.

A Lobbying, our lobbying was primarily -- if you could define it as that, because we didn't consider ourselves lobbyists -- but Mr. Penick and sometimes Mr. Renaud.

Q What about yourself?

A I was not engaged in lobbying. My activities related to any kind of legislative matters was strictly keeping up with what was going on, and if there were laws passed, then ensuring that our corporation implemented them effectively. But I wasn't called upon, to the best of my recollection, to do lobbying.

BY MR. PORTNOY:

Q Mrs. Eldridge, when you say you kept up with what was going on, do you mean that part of your

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responsibility involved keeping track of changes in the regulatory climate for your bank, and to see that the bank complied with any new requirements?

THE WITNESS: Yes, sir. One of my associates, the person who worked for me, was assigned that responsibility.

MR. PORTNOY: But you don't mean, do you, that you tried to get the legislature to change the banking laws, for example?

THE WITNESS: I don't mean that at all.

MR. PORTNOY: And you didn't try to get the Governor's office to change the banking laws in connection with your regulatory responsibilities?

THE WITNESS: No, sir. That would generally be handled by Mr. Penick, and sometimes -- if we even got involved in that, which was very infrequently.

MR. PORTNOY: So your involvement with legislative or regulatory changes typically arose after those changes were in effect?

THE WITNESS: Yes, sir.

BY MR. NAPPI:

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Q What Mr. Portnoy is talking about is compliance.
A Yes, sir.
Q Is it your testimony that-- strike that.
Let's move forward. Could I direct your attention to a document, and again, this is a document that doesn't have a serial number on it. So I will try to describe it. It's entitled "file notes, May 27, 1986."
A I have got it.
Q Great. Have you had an opportunity to read this, Mrs. Eldridge?
A Yes, sir.
Q Do you recall ever seeing this before?
A No, sir, I don't recall seeing the document. I do see that I'm carboned on it.
Q This looks like a -- or this describes-- strike that.
Do you recall Mr. Penick approaching the state banking board on this issue, looking for regulatory relief to allow them -- to allow the opening of branches?

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A My recollection is that we were trying to -- or our bank was trying to, as you say, get some relief so we could expand. I don't have any recollection of the steps Mr. Penick took.
Q Do you recall ever being in any meeting or having any contact with Mr. Penick regarding steps that could be taken to allow Twin City to branch?
A As a member of the executive committee, he would keep us apprised, but I don't recall any specifics.
Q What would he keep you apprised of?
A The current status.
Q Of what?
A Of whatever efforts we were --
Q With respect to legislation?
A Pardon?
Q With respect to legislation or regulatory initiatives, are we talking about?
A Yes, he would keep us apprised of that, yes, sir.
Q Do you recall any discussions regarding the legislation to allow branching in counties over

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200,000 people?
A Sir, I don't recall any details of any discussion. I recall that our bank and our holding company was interested in expansion and that there were a lot of proposed banking law changes, and that some of those passed. Now those, that is the extent of the details of my recollection.
Q Do you recall Mr. Penick ever asking you to contact Hillary Rodham Clinton regarding any legislation?
A No, sir. He did not.
Q You don't recall or you are certain he did not?
A I'm certain he did not.
Q Do you recall Terry Renaud asking you to contact Hillary Rodham Clinton with respect to any legislation?
A Mr. Nappi, my relationship with Mrs. Clinton was that of a personal friend. I never talked to Mrs. Clinton about any banking legislation at any time.
Q All right. I would like to direct your

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attention, if I may, to two documents simultaneously. Okay. One is Bates stamped -- well, they both contain the JRTS preface.
A They both contain what?
MR. THURMAN: Doug, unfortunately when you sent that, my fax machine did not pick them up with the bottom part of it on there, and some of those we have and some we do not. So you need to describe the document.
MR. NAPPI: Okay. Why don't I describe them. One is a handwritten note that says, the first line says "May 9, RTF, Hartfield."
MR. THURMAN: That was in the original stuff you faxed?
MR. NAPPI: Yes, this are both in the original package.
MR. THURMAN: Okay.
MR. NAPPI: The next one, the first line says "BC/Bo Carville, W. Hartfield." They are both handwritten notes.
MR. THURMAN: Those, we may have the numbers on them? JRTG 00163.

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MR. NAPPI: No, it's 00183. Yes, I think you have got it.
THE WITNESS: What is the other one?
BY MR. NAPPI:
Q 0002.
A Okay. We found it. We think. It says January 25.
Q Yes, and the other one says May 9.
A Okay. We have got it.
Q Both of these were produced to us from Governor Clinton's records, and they relate to a special session that was held for what was referred to as an omnibus banking bill.
A Yes, sir.
Q Do you recall that legislation?
A I recall that there was an omnibus banking bill. I don't recall the details of it.
Q Do you recall whether Twin City Bank or the holding company supported that legislation?
A I recall that there was some controversy, so it was supported in various forms.
Q Okay. But on both, on the May 9 notes,

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under the designation "banks against," is listed "TCB." Is that a general way of describing or abbreviating Twin City Bank?
A Could be, yes, sir.
Q Okay. Do you agree that it could be Twin City Bank that is being referred to there?
MR. THURMAN: I don't know whether we ought to object to that question or not.
BY MR. NAPPI:
Q All right. I will withdraw that question.
In general, having reviewed these records, does it refresh your recollection that Twin City Bank opposed this legislation?
A My recollection was that there was some controversy about it, and I just don't remember the specific details, nor do I remember what the final position was.
Q Do you recall anything about why this was controversial?
A Yes, sir. I believe that there was a provision in it somewhere that tried to put a 300-foot limitation on the distance between a branch

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and another bank, and that would have effectively shut down one of our branches, I believe. So that was controversial. I don't remember if in the final bill that was ever dealt with. I guess it was dealt with.

So that is why I'm a little confused about what point we supported it, and what point we were opposed to pieces of it.

Q Okay. Do you recall ever being asked to arrange a meeting with Betsy Wright regarding this legislation?

A I saw the notes in the information that you sent me. I do recall arranging a lunch with Terry Renaud and Betsy Wright. I did not, and still do not, recall the contents of that lunch.

Q By content, you mean the conversation?

A Right.

Q Do you recall any other meetings with Betsy Wright regarding -- or any other meetings with Betsy Wright and any officer or director of Twin City?

A Any meetings?

Q Yes. Pertaining to legislation?

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A Oh. No.

Q Do you recall any meetings relating to banking regulation with anyone from Governor Clinton's office?

A No, sir, I don't have any recollection.

Q Do you know Sam Bratton?

A I know Sam, yes, sir.

Q Did you ever meet with him regarding banking legislation?

A Not that I recall.

Q Were you ever asked to contact him regarding banking legislation?

A No, sir, not that I recall.

Q Do you recall ever having any conversations with Betsy Wright in which the Clinton's loan from First Ozark Bank came up?

A No, sir, I never had any such conversation.

Q Do you recall any such conversations with Sam Bratton?

A No, sir.

Q Any such conversations with anyone from the Arkansas State Banking Department?

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A No, sir.
Q If I could direct your attention to the notes or the memo regarding your lunch with Ms. Wright and Mr. Renaud.
A Okay. Got it.
Q Okay. Let's focus on the first paragraph --
A Yes, sir.
Q -- where it talks about Margaret being stand-offish. Well, I will just read it. "Margaret has been very stand-offishy to me since her own attempt to be appointed bank commissioner." Did you tie to become bank commissioner?
A Yes, sir.
Q When did you try to become bank commissioner?
A When?
Q Yes.
A I don't remember the exact year.
Q Who did you want to replace as bank commissioner, or who was leaving the post?
A Marlin Jackson was leaving.

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Q So that is when Bill Ford took over; is that correct?
A Yes, sir.
Q What prompted you to seek to become bank commissioner?
A I had a number of people suggest that it would be a good thing for the state to have a woman banking commissioner, and that I had the credentials, and my name was put forth to the governor's office by several people.
Q Do you recall who put your name forward, the several people who put your name forward?
A I really don't have a recollection of who, no, sir. I just know that my name was put forward. I heard that, and I remember letting Betsy know that I was interested in the job.
Q Did Ed Penick put your name forward?
A I don't recall. I'm not sure I ever knew who put it forward. I just have a knowledge that my name had been put forward.
Q Do you recall why you did not receive the appointment as bank commissioner?

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A What I was told -- I'm sure you have surmised from all these documents that First Commercial and Twin City were major competitors, and a contingent from First Commercial opposed it, opposed the nomination and rallied enough support for the opposition that it would have been politically difficult for the Governor to go ahead and appoint me. That was my understanding. The truth of the matter is they picked somebody else.

Q Was that Mr. Bowen at First Commercial who rallied opposition against your appointment?

A I'm not positive. I probably was reporting to you speculation that had been given to me, so I don't know factually who, you know, who was the exact opposition.

Q When you did not receive the appointment as banking commissioner, did it have a negative impact on the relationship between Twin City Bank and the Arkansas governor's office?

MR. PORTNOY: I'm going to object now. Well, actually I will withdraw the objection, because this ties into the Twin City Bank.

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But I would object to any further questions about the specifics of the nomination process on the grounds they are outside the scope, but I would withdraw my objection to that question.

BY MR. NAPPI:

Q Do you recall the question, ma'am?

A Please repeat it.

Q Sure. Do you recall that, when you were denied or when you failed to receive the nomination, do you recall that having a negative impact on the relationship between Twin City Bank and the Arkansas governor's office?

MR. THURMAN: I'm going to object to that question. She can't testify as to what relationship Twin City Bank may have had. She can testify, she can tell you what her relationship with the governor's office was, but she certainly can't characterize what the whole bank was.

BY MR. NAPPI:

Q Sure. Did it negatively impact your relationship with the Arkansas governor's office?

MR. PORTNOY: I'm going to object now.

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MR. NAPPI: No, it goes to the witness's -- the nature of her relationship with, not only the Clintons, but close associates of the Clintons.

MR. PORTNOY: I understand that. How does that relate to the Resolution?

MR. NAPPI: It relates to the investment activities of Whitewater Development Corporation. She worked for a company that controlled the bank that held the Whitewater loan.

MR. PORTNOY: The witness has already testified she has absolutely no recollection.

MR. NAPPI: So your objection is noted.

MR. PORTNOY: No, I'm not prepared to stop explaining my objection or necessarily to permit the witness to answer simply because the objection in your view is noted.

At this point, the witness has testified that she has no knowledge of the banking relationship between the Clintons or with respect to the Whitewater investment and Twin City Bank. She has testified that her only knowledge of this matter that she is aware of arose after this Committee's

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investigation began.

MR. NAPPI: No, she did not testify as to that. She testified she learned of it after the time period we are dealing with. Your objection is noted. I'm going to rephrase the question.

MR. THURMAN: Let me stop you just a minute. You made a comment that she worked for the company that controlled the bank that made the loan. That is absolutely not true.

MR. NAPPI: I apologize; if she worked --

MR. THURMAN: I don't know what she said that led you to believe she worked for the company that controlled First Ozark.

MR. NAPPI: You are right. She worked for a company that was under common control. I apologize. Is that your objection?

MR. THURMAN: She had absolutely nothing to do with First Ozark except the one thing she told you, and that was to put in place the personnel policies.

MR. NAPPI: Fair enough. I mischaracterized it.

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BY MR. NAPPI:
Q Was Mr. Renaud disappointed when you did not receive the appointment to become banking commissioner?
MR. THURMAN: I object to that. She doesn't know whether Mr. Renaud was disappointed. She can't say what was in his mind.
BY MR. NAPPI:
Q Did he ever -- did he seem disappointed to you?
MR. PORTNOY: I object. What is the relevance of Mr. Renaud's reaction one way or the other to Mrs. -- then-Mrs. Davenport's possible appointment as bank commissioner. There is no way in the world that ties into the subject of our Resolution.
MR. NAPPI: No, these are facts that relate to the relationship between Mr. Renaud --
MR. THURMAN: I'm not -- on investigative matters I do know a little bit about trial lawsuits. If you were before a judge, he would tell you that you would have to ask Mr. Renaud that, so I suggest

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that is what you need to do.
BY MR. NAPPI:
Q Did Mr. Renaud ever tell you he was angry that you had not received the appointment to banking commissioner?
MR. PORTNOY: Once again, there is no relationship between this and anything that is within the scope of the Resolution. Let's go off the record for a minute.
(Discussion off the record).
BY MR. NAPPI:
Q Did Mr. Renaud ever express disappointment that you had not been appointed to be banking commissioner?
A My appointment as banking commissioner, I had a job before and I had a job after. It was a personal issue.
Q So he did not express disappointment?
A Not that I recall.
Q Did Mr. Penick express disappointment that you had not received the appointment to become banking commissioner?

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A Not that I recall.
Q Okay. If I could refocus your attention on the 1987 Intercounty Branching Act, the law that dealt with counties with a population of over 200,000, do you recall ever having any contact with Betsy Wright regarding this legislation?
A Do I recall having any conversation with Betsy Wright regarding --
Q Or any contact, any correspondence, any conversation --
MR. PORTNOY: Of any kind, on any subject?
BY MR. NAPPI:
Q Regarding the 1987 --
MR. PORTNOY: Okay. I thought you were --
MR. NAPPI: No.
MR. PORTNOY: With respect to Act 539, is that what you are talking about?
BY MR. NAPPI:
Q Yes.
A I think I testified earlier, I saw those notes and I don't recall any specific detail.
Q I think those notes reflect the special

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session.
A Oh.
Q I'm trying to -- I know it might be difficult to distinguish between the two.
MR. THURMAN: Let's take a break for about five minutes.
MR. NAPPI: Sure.
(Recess.)
BY MR. NAPPI:
Q I think when we went off the record we were trying to distinguish between the 1987 banking bill and the 1988 banking bill.
A Okay.
Q And I was asking you about contacts that you may or may not have had with Betsy Wright regarding the 1987 legislation.
A I have no recollection of any contacts with Betsy Wright about any banking legislation.
Q Does the same hold true for Sam Bratton?
A Yes, sir.
Q Anyone in the governor's office with respect to -- again, I'm only asking you about Act

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539.
A To the best of my knowledge, I had no contact with anybody about that banking legislation.
Q Okay. Do you recall whether the Arkansas Bankers Association supported Act 539?
A No, sir, I don't.
Q Do you recall whether the banking industry was generally supportive of Act 539?
MR. THURMAN: I'm going to object to that. How does she --
BY MR. NAPPI:
Q You are right. I withdraw.
Do you recall whether any banking trade associations supported Act 539?
A No, sir.
Q Okay.
MR. PORTNOY: You don't recall.
THE WITNESS: I don't recall.
BY MR. NAPPI:
Q All right. Returning to the 300-foot issue that we discussed earlier, with respect to the 1987 legislation?

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A Yes, sir.
Q What branch of Twin City Bank was going to be affected by this 300-foot provision?
A I believe it was our branch on Capitol Avenue.
Q Do you recall what the controversy, the issue was there? Let me rephrase that.
What bank were you going to be within 300 feet of, do you recall?
A First Commercial.
Q First Commercial.
A Yes, sir.
Q Do you recall where, what building the Twin City Bank branch was in?
A It was in the TCBY Tower.
Q Was that then known as Capital Tower?
A It could have been, I don't remember, sir. That is what it's known as now.
Q Okay. Did you ever serve on the board of the Arkansas Development Finance Authority?
A Yes, sir.
Q Do you recall the dates of your tenure?

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A I don't remember when I was first appointed. It was whenever that commission was created. I was one of the first commissioners, and I continue to serve.
Q You continue to serve on ADFA?
A Yes, sir.
Q Who approached you about this appointment?
A I'm not sure I understand your question.
Q Do you recall the circumstances surrounding your appointment to ADFA?
A Nothing other than being honored to be named.
Q Do you recall who first asked you if you would be interested in serving on the ADFA board?
A No, sir, I don't have that recollection.
Q Okay. Do you know an individual named Dan Lasater?
A I have met Mr. Lasater, yes, sir.
Q Do you recall on how many occasions you have met Mr. Lasater?
A No, sir, I don't. Not more than two.
Q Did your meetings with Mr. Lasater relate

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to your official duties on the ADFA board?
A No, sir. They weren't meetings; they were -- I recall being introduced to him at a social engagement.
Q Do you recall the date of this introduction?
A No, sir.
Q Do you recall who introduced you to him?
A No, sir.
Q Do you recall where this engagement took place?
A I believe I met him at an open house for the opening of their firm.
Q Lasater & Company?
A Yes, sir.
Q Or a predecessor, perhaps Collins, Locke & Lasater?
A Probably.
Q Were you on the ADFA board at the time you were invited to this open house?
A I can't say exactly because I can't remember the date of the open house. I don't

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remember when the firm opened.
Q Okay. Do you recall the other occasion on which you had contact with Mr. Lasater?
A Like I said, not more than two, and as I think about it, that may have been the only time. I just don't have any other recollection.
Q Did Mr. Lasater ever recommend you for appointment or reappointment to the ADFA board?
A I'm not aware of any recommendation.
Q Did you know a gentleman named Michael Drake?
A Yes, sir.
Q How do you know Mr. Drake?
A He was Lasater's -- he was their vice president in their investment banking area who represented them with some ADFA bond financings.
Q So did you have contact with Mr. Drake in your official capacity on the ADFA board?
A Yes, sir. He would -- I can't remember the number of times, but if they had -- if they were the underwriter on an issue, then he would speak about it in a board meeting.

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Q Did you ever have any contact with anyone else, any other employee of Lasater & Company regarding ADFA underwritings?
A Not that I recall, sir.
Q Did ADFA ever steer underwriting business to Lasater & Company?
A No, sir --
Q I will rephrase the question.
MR. PORTNOY: "Steer" is a troubling word here.
BY MR. NAPPI:
Q I will rephrase. Did it ever come to your attention that Lasater & Company should be included in every ADFA underwriting as part of the underwriting group?
A No, sir.
Q Do you recall any underwritings that Lasater was denied?
MR. THURMAN: Excuse me, I'm going to object to that. I don't know what you are getting at, and I don't know -- but they submitted bids and she was just one member of the board. I don't know

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that -- I object to the form of that question, the word "denied."

BY MR. NAPPI:

Q Okay. Do you recall any instance where Lasater & Company submitted a bid and it was not accepted?

A Sir, I don't have recollections of that many years of who bid for what and who was approved for what.

Q So are you answering you do not have any specific recollection of Lasater being denied a bid, or receiving or having their bid accepted?

A Right. I don't have specific recollections.

Q Do you recall learning that Dan Lasater was the subject of an investigation relating to drugs?

A Yes, sir, I do recall reading that in the newspaper.

Q Do you recall learning of it while -- at a time when Lasater & Company was -- had a bid pending before ADFA?

A Sir, I don't know the timing of it at all.

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Q Okay.

A I just recall reading it in the newspaper.

Q Was that the first time you had heard such allegations?

A Yes, sir.

Q Did Twin City Bank ever receive any trustee work with respect to ADFA underwritings?

A It's my understanding that they won a few bids.

Q How did you come about that understanding?

A My memory was refreshed when I saw it in the Times article.

Q Did the ADFA board approve -- was the ADFA board responsible for approving trustee bids?

A Yes, sir. All trustee relationships were acquired through competitive bidding, and all of the major banks in Arkansas generally bid. And they would bid to the staff, the staff would evaluate the bids, and then make recommendations to the board, which then would approve the recommendation.

Q Did anyone from TC Bankshares ever approach you regarding a bid for trustee work on an ADFA

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underwriting?
A No, sir.
Q Do you recall when Twin City Bank received its first -- had its first trustee bid accepted?
A No, sir, I don't recall.
MR. NAPPI: I don't have any further questions. How about you, Mr. Portnoy?
MR. PORTNOY: I don't think we have much.
EXAMINATION
BY MR. PORTNOY:
Q Mrs. Eldridge, you testified that you had responsibility for branch banking matters at some point, I believe you said after you became executive vice president?
A I said sometime in late '88. We had a reorganization occur, I believe it was in the end of July, and there was a transition period from August through the end of the year, where I was taking over those responsibilities.
Q When you were responsible for branch banking matters, you would have had an interest in any legislative proposals that pertained to branch

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banking matters, I assume?
A Yes, sir. It would have been my responsibility to implement any legislation as it pertained to the branches.
Q Do you recall whether the legislation that Mr. Nappi has been asking you about, permitting intercounty branch banking was enacted before or after you took on responsibility for branch banking?
A It was enacted before.
Q It was enacted before?
A Yes, sir.
Q Did anyone ever suggest to you that the branch banking legislation was enacted because Twin City had some kind of special influence over the governor?
A Absolutely not.
Q Did anyone ever suggest to you that there was any relationship of any kind between the fact that branch banking legislation was enacted and the fact that there was the Whitewater loan?
MR. NAPPI: Wait a minute. "Suggest"?
MR. PORTNOY: State or otherwise imply.

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MR. NAPPI: No, no. "Otherwise imply," I think the question should be did anyone ever --
BY MR. PORTNOY:
Q I'm happy to rephrase it. Did anyone ever state to you there was any relationship between the fact that branch banking legislation was enacted in the state of Arkansas, and the fact that the Clintons or the Whitewater Development Corporation had a loan with Twin City Bank?
MR. NAPPI: I think the witness has already testified she wasn't aware of the Clintons's loan.
MR. PORTNOY: I realize that. I'm asking a separate question.
BY MR. PORTNOY:
Q Did anyone ever suggest to you any kind of relationship or state to you there was any kind of relationship between those two events?
A No, sir.
MR. NAPPI: So no one ever said there was a relation between the legislation and the loan you did not know about is the question.
BY MR. PORTNOY:

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Q Do you have any reason to believe that there was any relationship between the legislation and the loan?
A No, sir.
MR. PORTNOY: Mr. Nappi has one question.
EXAMINATION
BY MR. NAPPI:
Q You testified you were not involved in lobbying for the bank; is that correct, ma'am?
A Yes, sir. I testified that I was not the bank's lobbyist.
Q Okay. And that you don't have any specific recollections of conversations or meetings regarding either the 1987 Act or the 1988 Act?
A No, sir, I don't have any recollection.
Q So you wouldn't have any recollection of any conversations including a conversation -- that would obviously include a conversation regarding an arrangement between legislation and any outstanding loan; is that correct?
A I didn't understand your question.
Q That is because I didn't phrase it very

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well. So the fact that you don't have any specific recollections about any conversation regarding this legislation would naturally subsume any conversation regarding a relationship between legislation and the Whitewater loan; is that correct? You are just saying you have no recollection about any conversations regarding this legislation?

A That I recall hearing about the legislation, but I have vague details about it. And I said, I don't have any recollection of discussing this loan with anybody.

Q So you have no specific recollection of any conversation regarding this legislation? I just want to clarify that.

A I don't have any specific recollection. I have vague recollections of what was generally going -- the general environment at the time.

Q The general legislative environment?

A Yes, sir.

MR. NAPPI: Okay.

EXAMINATION

BY MR. PORTNOY:

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Q Let me ask you some specific questions about that, Mrs. Eldridge. Did anyone ever tell you that Twin City Bank had any special influence over the Clinton Administration?

A No, sir.

Q Do you have any reason to believe that Twin City Bank had any special influence over the Clinton Administration?

A No, sir.

Q To the best of your recollection, did anyone at Twin City Bank ever ask you to try and influence the Clinton Administration by virtue of your personal relationship with Mrs. Clinton?

A Absolutely not.

Q You are certain that that never occurred?

A I am certain of that.

Q To the best of your recollection, did Mrs. Clinton ever ask you for special favors from Twin City Bank?

A No, sir.

Q Did Governor Clinton?

A No, sir.

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Q Did anybody acting on their behalf?
A No, sir.
Q So to the best of your knowledge, the relationship between Twin City Bank and the Clintons was completely arm's length and proper?
MR. NAPPI: I don't know if she's in a position -- I will object to that. I don't think she can --
MR. PORTNOY: I said to the best of her knowledge.
MR. NAPPI: No, I object to that. I don't think she has evidenced a recollection of the relationship that would allow her to draw any kind of judgment.
MR. PORTNOY: You are free to make that argument.
BY MR. PORTNOY:
Q The situation remains, do you have any reason to believe that anything about the relationship between the Clintons and Twin City Bank was in any way improper?
A No, sir.

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EXAMINATION
BY MR. NAPPI:
Q Do you have any knowledge about the relationship between the Clintons and Twin City Bank, any specific recollections at this point in time?
MR. THURMAN: Excuse me, I'm going to object to that. That is just so broad that could cover almost everything in the world. Mr. Clinton came to the Christmas party, for crying out loud, and that certainly was a relationship with Twin City Bank.
BY MR. NAPPI:
Q Okay. Do you have any specific recollections regarding the relationship between Mr. Renaud and the Clintons, the nature of that relationship?
MR. PORTNOY: Just a minute. Doug, are you going to go off into another line of questions here?
MR. NAPPI: No, I just thought since you were going to start asking general questions about --
MR. PORTNOY: Let me finish and then if you want to come back to it --

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MR. NAPPI: Okay.
EXAMINATION
BY MR. PORTNOY:
Q Mrs. Eldridge, coming back to the question of the branch banking legislation, do you have any reason to believe that that legislation was designed to benefit Twin City Bank specifically?
A No, sir.
Q Do you have any reason to believe that that legislation was enacted for any reason that related in any way specifically to Twin City Bank?
A Are you saying just for Twin City Bank's benefit?
Q Yes, ma'am?
A No, sir. There were other banks interested at the time.
Q Do you recall whether other banks supported the legislation?
A Yes, sir -- I shouldn't say I recall. I read that in the paper.
MR. NAPPI: At the time, or recently?
THE WITNESS: Recently. I told you I only

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have vague recollections of the general banking legislation environment at that time and was not charged with the responsibility, any responsibility having to do with that legislation, so I don't know all the players involved. I just know that we were not the only bank interested in expansion.
BY MR. PORTNOY:
Q Okay. Mrs. Eldridge, returning to your consideration for the position of bank commissioner, did anyone in the governor's office ever suggest to you that you would get the position if you took specific action on their behalf of any kind?
A No, sir.
Q Did anyone suggest to you any kind of quid pro quo, if you help us in this way, we will give you the job?
A No, sir. They gave the job to somebody else.
Q But no one ever asked you if you would be willing to do something for the administration or for the governor in return for the job, did they?
A Absolutely not.

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Q And just to be clear, to the best of your recollection, nobody ever suggested to you that you would get the bank commissioner's job if somehow you took care of the Clintons's Whitewater loan, did they?
A No, sir.
Q During your time on the ADFA board, do you have any reason to believe that the selection of underwriters was somehow rigged or fixed?
A No, sir.
Q Did anyone in the governor's office ever tell you how to vote when selecting an underwriter?
A Absolutely not.
Q Did anyone ever indicate to you that the governor or the governor's office wanted you to select a particular underwriter or had a preference for a particular underwriter?
A No, sir.
Q As far as you know, the underwriter selection process was open?
A Yes, sir.
Q And it was competitive?

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A Yes, sir.
Q And it was fair?
A Yes, sir.
Q Did you know an ADFA board member named Stout?
A Stout?
Q Yes, ma'am.
A Not that I recall.
Q Did you know anybody by the name of Stout?
A Not that I recall. You have a first name?
MR. NAPPI: Objection. Let's keep moving.
MR. PORTNOY: Off the record.
(Discussion off the record.)
BY MR. PORTNOY:
Q Mrs. Eldridge, to the best of your knowledge, did Mr. and Mrs. Clinton receive any kind of special treatment from Twin City Bank that wouldn't be available to any other --
MR. NAPPI: What do you mean by "special treatment"?
MR. PORTNOY: I will just withdraw the question rather than try and define "special

treatment." What I would like to do is take a one-minute or two-minute break and then come back. I may or may not have any further questions.

(Recess.)

BY MR. PORTNOY:

Q Just a few last questions. The gentleman I referred to before, Mr. Stout, is named Charles Stout and he actually served on the board of the Arkansas Housing Development Agency, which was the predecessor agency for ADFA.

Do you know this gentleman, Mrs. Eldridge?

A No, sir, I don't believe so.

Q You testified earlier about the policies of First Ozark with respect to loan documentation. Do you have any firsthand knowledge about what First Ozark's policies were with respect to documentation for loans?

A No. The knowledge I have is, in general, the affiliate banks adopted the holding company loan policies. From time to time, they did adjust -- the boards of the local banks would adjust those policies to fit a local situation. So I have never personally



read the First Ozark complete documentation and policy requirements.

Q So you don't know whether a loan could have been in compliance with their policy if, for example, financial statements were not complete? You have no way to know that, do you?

A No, sir, I really don't.

MR. PORTNOY: That's all I have. Thanks.

EXAMINATION

BY MR. NAPPI:

Q Okay. I want to clarify one thing for the record. Did you say you never had any conversations with Hillary Clinton regarding the Whitewater loan?

A I said I have absolutely no recollection of any conversations whatsoever with Hillary about the Whitewater loan.

MR. NAPPI: No further questions.

(Whereupon, at 11:58 a.m., the deposition was concluded.)

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MARGARET ROZZELL ELDRIDGE

I, SHEILA M. LYONS, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Sheila M. Lyons
Notary Public in and for the
District of Columbia

My Commission Expires AUGUST 31, 1997

# DEPOSITION OF GARY W. BUNCH
# IN RE: S. RES. 120

THURSDAY, MAY 2, 1996

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER
DEVELOPMENT CORPORATION AND RELATED MATTERS,
*Washington, DC.*

Telephone deposition of GARY W. BUNCH, called for examination pursuant to notice of deposition, at 4:20 p.m. in Room 640–A of the Hart Senate Office Building, before CINDY L. SEBO, a Notary Public within and for the District of Columbia, when were present:

H. CHRISTOPHER BARTOLOMUCCI, ESQ.
Majority Associate Special Counsel
VIET D. DINH, ESQ.
Majority Associate Special Counsel
GLENN F. IVEY, ESQ.
Minority Counsel
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Building
Washington, DC 20510
On behalf of the Committee.

HOWARD CAIN, JR., ESQ.
Madison Bank & Trust
P.O. Box 539
Hunt, Alabama 72740
On behalf of the Deponent.

ALSO PRESENT: JIM PITTRIZZI
JEFF WINTER

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PROCEEDINGS

Whereupon,

GARY W. BUNCH

was called as a witness and, having first been duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. BARTOLOMUCCI:

Q Good afternoon, Mr. Bunch.

Before I begin the questioning, there's some preliminary information I need to impart to you.

This is a deposition conducted pursuant to Senate Resolution 120 which establishes a special committee to conduct an investigation of Whitewater Development Corporation and certain other related matters.

The deposition is in advance of public hearings. You might be called to testify at those public hearings. As you know, these questions are going to be put to you under oath.

If at any time you don't understand a question, let me know, and I'll rephrase it. And

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tell me at any time you want to take a break.

The court reporter will prepare a transcript of the deposition which will be treated by the Senate as confidential until the commencement of any hearings.

In the event that you are called to testify, you'll receive a copy of your deposition, and in any event you'll have an opportunity to review it to note any corrections.

You're represented by counsel today.

Would counsel please state an appearance for the record?

MR. CAIN: Howard Cain, Junior, attorney for Madison Bank & Trust, and Mr. Gary Bunch is present.

MR. BARTOLOMUCCI: Thank you, Mr. Cain.

BY MR. BARTOLOMUCCI:

Q Mr. Bunch, just so you know, it's our practice to note for the record objections to the forms of questions, and to permit objections on grounds of privilege or scope.

You should know, however, that the

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Committee chairman ultimately will rule on any objection.

A Fine.

Q And if you would, would you give us a brief sketch of your educational background?

A 12 years of school at Kingston, a couple of years at University of Arkansas, and a couple of years at Arkansas Tech in Russellville, Arkansas.

Q Did you obtain degrees from those institutions?

A Well, kind of; an extra curricula, but nothing to hang on the wall.

Q What field were you studying in?

A Several. Too many to mention unless you've got lots of time.

Q Nah. Mr. Bunch, am I correct that you're currently the president of Madison Bank & Trust?

A Yes, I am.

Q And that bank used to be known as the Bank

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of Kingston?

A Yes, it was.

Q And your family has a long history with the bank; right?

A That's correct. My great granddad started it in 1911 or was instrumental in starting it, the main one. My grand dad was in it. My dad retired in 1980. Then my family sold it to Jim McDougal, with the exception of myself.

Q Now, how long have you been working at the bank?

A Since 1970.

MR. IVEY: Can I ask a question? This is Glenn Ivey, I wanted to ask Mr. Cain a question.

MR. CAIN: Go ahead.

MR. IVEY: Mr. Cain, how long have you been at the bank?

MR. CAIN: I think I came on the board about 1981 or '2.

MR. IVEY: Did you have any affiliation with the bank prior to 1981 or 1982?

MR. CAIN: I had done legal work for the

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bank.
MR. IVEY: Have you had a chance to look at the documents that Mr. Bartolomucci sent down to you?
MR. CAIN: Have I personally?
MR. IVEY: Yes, sir.
MR. CAIN: I reviewed them. I had an opportunity to briefly before the board meeting today to look through them, yes.
MR. IVEY: Okay. Do you have any independent recollection or knowledge of any of the documents yourself?
MR. CAIN: No, sir, I do not.
MR. IVEY: Okay, thank you.
BY MR. BARTOLOMUCCI:
Q Okay. Mr. Bunch, now, I think you just testified that in 1980, the Bank of Kingston was sold to Jim McDougal; is that right?
A That's correct.
MR. CAIN: Sir, may I correct one thing?
MR. IVEY: Sure.
MR. CAIN: This is Howard Cain again.

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There were some copies of some documents that were faxed that related to some cease and desist orders that I was on the board at the time. And I do have some recollection of those particular items.
I don't know if that is relevant to what you're making reference to. But there were some matters that took place back in about 1983 concerning a cease and desist consent order.
MR. IVEY: Yes, sir.
MR. CAIN: And I am familiar with that.
MR. BARTOLOMUCCI: Let's go off the record for a second.
(Discussion off the record.)
MR. BARTOLOMUCCI: Mr. Cain, you've told us the extent of your involvement in the matters reflected in the documents that I sent to Mr. Bunch?
MR. CAIN: Yes, sir, that's correct. I made specific reference to some cease and desist consent orders that took place on or about 1983. And I do have some recollection concerning that. Other than that, I don't have any personal or direct knowledge that I can recall at this time.

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BY MR. BARTOLOMUCCI:
Q Okay. Mr. Bunch, so in the fall of 1980, Jim McDougal bought the Bank of Kingston. Do you recall what percentage of the bank stock he purchased?
A Approximately -- well, I don't know exactly what he had; 50 or 60 percent probably. Mr. Smith -- I believe he had a split, like 40. I don't really know. Together he and his partner, Mr. Smith, had about, probably about close to 90 percent. No, at that time 80 percent. In the 80s probably.
Q Okay. So you don't know the exact percentage that he bought, but it was substantial?
A Yes. Yes.
Q Would he have been the largest single shareholder?
A Yes.
Q And it would definitely have been above 25 percent?
A Yes.
Q And was Mr. McDougal the chairman of the board?

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A I believe that was his title then, yes.
Q Do you know how long Mr. McDougal retained that level of ownership in the bank?
A Probably until '86 when Mr. Willshire bought it.
Q Who bought the bank in '86?
A Roland Willshire, W-I-L-L-S-H-I-R-E.
Q And as far as you know, did the amount of Mr. McDougal's interest in the bank remain constant in that period '80 through '86?
A To the best of my memory, yeah, I believe it did.
Q Okay. Now, when McDougal bought the bank, you continued to work at the bank; right?
A Yes, I did.
Q And your position was executive vice president and cashier?
A Probably.
Q And you were also a board member?
A Yes, I was.
Q Now, in the 1980s and maybe today, too. But turning your attention to the 1980s, the bank was

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a small bank?
A Yes. We were only like I believe a million 6.
Q And --
A It wasn't even that. Is that what we were when it was sold? We were around a million dollars when he bought it. Yeah. I don't even think we were a million, were we?
Q Now, Mr. Bunch, we're trying to get your memory here. There's nothing wrong with conferring with counsel, but we're just trying to see what you remember.
A Okay. Around a million.
Q And the number of -- how many people worked at the bank in those days, the 1980s, just roughly?
A Well, when dad sold it, there was -- my dad, myself and we had one girl. Three of us.
Q So would you say that throughout the 1980s that just a handful of people worked there?
A Well, it kind of doubled or tripled after McDougal, after Jim came in in 1980.
Q So that it might have been six or nine

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people?
A Yes.
Q So --
A Probably half a dozen average.
Q So a bank that small, you knew what was going on; right?
A Pretty much, yes.
Q Now, when did you become the president of the bank?
A I don't even remember. Probably in '86 or '7, after Roland bought it.
Q Okay. So during the time that McDougal owned the bank, you were executive vice president, and then you became president after the sale?
A I believe that's correct.
Q Did you know Mr. McDougal before he purchased the bank?
A No, I did not.
Q And after he purchased it, how often was Mr. McDougal physically at the bank?
A He was there full-time for about a year and a half or something until he ran for Congress. And

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that was in '82 I would assume.
Q So full-time meaning he was there on a daily basis?
A Pardon me?
Q Full-time meaning he was at the bank on a daily basis?
A He was from the time he bought it until he ran for Congress. And I don't remember the date on that.
Q But you think that was around '82?
A I believe, yes.
Q All right. After he ran from Congress, let's say from '82 to '86 --
MR. IVEY: Ran for Congress. I think you said ran from Congress.
MR. BARTOLOMUCCI: I meant to say for.
THE WITNESS: He probably ran from it, but for it to start with it.
BY MR. BARTOLOMUCCI:
Q I think he now perhaps is running from Congress is what I was thinking about.
All right. During that time period, 1982

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to '86, how often did you see Mr. McDougal?
A At least once a month for board meetings.
Q Was he at the bank other than that, other than for board meetings?
A Yes, occasionally.
Q And apart from seeing him, did you talk to him from time to time?
A Sure.
Q How often? Say, weekly? Every day?
A Oh, for sure, weekly, yes. It just varied.
Q Now, do you know Bill or Hillary Clinton?
A Yes, I do.
Q How do you know the Clintons?
A Through politics.
Q Okay. Can you tell me what you mean by that?
A Well, I'm still in -- I'm a Justice of the Peace which is an elected official here in Madison County. We have the JP system in Arkansas. And I've been involved in politics since forever, since I was old enough to vote, and even before that.

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Q So were you a contributor of -- did you contribute to Mr. Clintons various campaigns?
A I may have at some time. I contributed time.
Q Oh, you were a volunteer?
A Yes, I've done that.
Q All right. When do you think you met Mr. Clinton?
A I don't have a clue the first time. I guess when he ran for Congress. Hell, I don't even remember when that was.
Q And he was running for Congress?
A He was running for Congress.
Q Okay.
A I believe that's right at one time. I guess he ran against Don Pough.
Q Now, are you aware --
A It would have been in the early '70s.
Q Are you a social acquaintance of the Clintons?
A I know Bill. I'm not that well acquainted with Hillary, no.

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Q Have you talked to either of the Clintons since they came to Washington?
A No, I have not.
Q Now, during the 1980s, what did you know about the relationship between the McDougals and the Clintons?
A What did I know about the relationship?
Q Yes.
A I'm aware of Jim working with Bill when he was governor.
Q Did you know that they were business partners?
A Yeah.
Q Did you see them together?
A No -- well, yeah, I guess I've seen them together before.
Q Just sporadically?
A Not at the bank, no.
Q Did Jim McDougal ever talk about his business ventures with the Clintons?
A Very little.
Q In the '80s, had you ever heard of

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Whitewater Development Corporation?
A Well, when we -- because we had a Whitewater note, of course, we got a copy of a ledger ticket I think in there.
Q Right. We'll get to that. I'm just trying to see what you knew about the --
A No, that was all, other than being aware they had -- well, Jim had a company called Whitewater Development. And we had a checking account on that, too, the best I remember.
Q And did you know the Clintons were involved in Whitewater?
A Yes.
Q Okay. I want to turn your attention first to this matter that has recently come up in the newspapers involving the bank and the Rose law firm.
A Yes.
Q Now, do you recall in 1981 and '82 that the Rose law firm did some legal work for the bank?
A Yes, I do.
Q And this was a case involving the First National Bank of Huntsville?

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A Yes, it was.
Q I think I have an understanding about the case. Let me see if I get this right. In the early part of '81, after McDougal had purchased the bank, McDougal wanted to move the main office, but there was a restrictive covenant in the purchase agreement that prevented it.
Is that what the case was about?
A That's correct.
Q Did you have any involvement in that lawsuit?
A No, I didn't.
Q Now, the Rose law firm lost that case; right? Madison Bank lost?
A Yes.
Q Do you remember who the lawyers were at the Rose law firm, who they were, who were involved in the case?
A I know now. I didn't then, no. In fact, the first time some of your people called me, I didn't even remember it. But, of course, I'm aware Foster now was the lead counsel.

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Q Well, but you don't have any memory of who was involved?
A No. Because like I said, I stayed out of it, because see my parents sold the Bank of Kingston to McDougal. My dad was still a stockholder in First National Bank here in Huntsville, but Jim had signed the agreement, and also my uncle, which was William B. Bunch and then the Hartvesteds owned stock in Bank of Kingston also, so that's how it all came about.
So my dad was still on the board of First National. And I was still working for the Bank of Kingston. And I stayed out of it totally. I had zero to do with it.
Q Now, what is your current understanding who the Rose law firm attorneys were that were involved in the case?
A This is what I saw, all I know is Vince.
Q And you come to this conclusion based upon what?
A Documents that the FBI has.
Q Documents that the FBI showed you?
A Yes, sir.

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Q All right. Now, there was a dispute between the bank and the Rose law firm over the bill; right?
A It wasn't really a dispute. We just hadn't paid it.
Q Okay. The bill was not paid, that's correct?
A No, not for a while.
Q Initially it wasn't paid?
A It wasn't paid within 30 days.
Q All right. So the -- am I correct that this case would have been -- would have been over sometime in '82, the case went up to the Arkansas Supreme Court, and that would have been in about '82?
A I believe that sounds right.
Q And I assume the Rose law firm billed you folks pretty promptly?
A Yes.
Q And who decided not to pay the bill?
A Jim.
Q Do you know why he didn't pay it?
A Well, it wasn't we weren't going to pay it,

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we just weren't in any hurry to pay it.
Q Okay. Was he mad about something?
A Well, no, he wasn't mad. We just had a pretty good licking. And, Lord, we were small, we spent a lot of money for how small we were. We were pretty well drained.
Q I was just trying to figure out why he wasn't paying the bill, whether it was just oversite or whether he felt he would pay it later or whatever the problem was.
A Well, we can go back and check the financials. We may not have had the money to pay it. I really don't remember.
Q How much was the bill that initially wasn't paid?
A I don't even know. And I don't -- I don't remember.
Q Was it around $5,000?
A I'm thinking it was, yes, 58- or 5900, it seemed like from what I saw from what your people had.
Q Well, let's clarify that.

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A Your people being the FBI.
Q Okay. Just for the record and for your benefit, there's a separate -- the FBI and independent counsel Ken Starr are separate from the Senate Committee, so --
A Yes.
Q -- I just didn't want anyone reading the deposition to be confused that this was other than our first interview on this subject.
A Yes. But I believe to answer your question that Starr investigating team, we'll call them, had documents showing like it was 58- or 5900. And I think we finally came up with proof that we paid like 5,000.
Q Now, when was the paid?
A I don't remember. '84, I believe.
Q You think the bill was paid in 1984?
A I believe. Like I said, I don't remember specifically.
Q Does the fall of '84 sound correct?
A That sounds correct.
Q And when the bill was paid at that time,

was the entire bill paid?
A I believe we paid 5,000 of it.
Q Okay. So the bill was for a little bit more than 5,000, and the bank paid 5,000?
A Yes, sir.
Q And was that deemed to be in satisfaction of the entire bill?
A Yes, it was.
Q So there was no misunderstanding that you continued to owe a few hundred more on top of the 5,000?
A That's correct. We never did find anything back to substantiate that, but they took the 5,000. And the best I remember, that was what the bill was.
Q So if the case was over in '82 and the bill was paid in '84, that's a couple of years. The Rose law firm didn't come calling for two years?
A They didn't call me.
Q Did the Rose law firm threaten suit?
A Not that I know of.
Q What do you remember about how the -- what do you remember about how the bill was finally paid?



How was a resolution reached?
A I didn't remember. But we found it in the minutes where the board approved me to negotiate a settlement and pay it.
Q So you've reviewed minutes of a Madison Bank board meeting which reflected that you were authorized by the board to negotiate the payment of the bill?
A That's correct.
Q And what was the date of these board minutes?
A I don't remember. Probably in late '84 or at the time we sent them the money, probably a month before.
Q So it was the board's decision then to pay the bill?
A That's correct.
Q Do you remember what prompted the board to do this?
A No.
Q Now, you were on the board; right?
A Yes, I was.

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Q And McDougal was still on the board in '84?
A Yes.
Q Who else was on the board that you recall?
A Oh, Mr. Cain, Mr. Brashears, Ms. Baldrige, Mr. Easterling, I guess.
Q Do you remember any discussion at the board meetings about this?
A I don't remember. I'm sure Jim probably brought it up that we need to pay, so I made a deal with them then.
Q Now, is that your memory or are you --
A I'm guessing. That's just a guess. Or I may have even had the bill in there at the meeting. Like I said, I don't remember.
Q Now, do you remember anyone from the Rose law firm being involved in the settling of the bill dispute?
A No. I don't have a clue who I talked to.
Q You think you talked to someone at the Rose law firm about this?
A Well, I don't remember if I did. But obviously the minutes told me to and we settled for

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5,000. There never was any correspondence after we paid the 5,000, so I'm assuming that there was something worked out in there, yes.
Q Now, do you still have a copy of these minutes?
A Yes, we do. We don't have them with us, but...
Q But at the bank?
A You bet Little Rock has a copy that they can fax you.
Q But you still have those documents?
A Yeah. Yes, we do.
Q Do you have any other documents relating to this matter?
A I don't think there was anything else, was there?
Q A document that would reflect the payment or anything --
A Oh, yeah. There was a general ledger. We finally tracked it down through general ledger tickets. But I don't believe we ever did find a canceled check. And I don't -- I don't know if they

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ever found the payroll trail or Rose law firm where they deposited it or what.

Q Now, did you recently speak to a reporter about this matter?

A Yeah, a couple of them, in fact.

Q Okay. I'm going to refer you to one of the documents I sent you yesterday.

A Yes.

Q It's a Washington Post article with Mrs. Clinton's picture on it.

A Yes.

Q It has a little 16 at the corner. And just for the record, this is an article from the May 1st, '96 Washington Post.

I just want to read part of it into the record. It says, "publicly and in sworn interviews with federal investigators, Clinton has said that she met about the S&L loans with James P. McDougal in April 1985 to get him to pay an old Rose law firm bill and to work out a prepayment plan before Rose agreed to do more work for them.

But McDougal paid his outstanding bill of

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several thousand dollars the previous year, according to two people who have reviewed records turned over to Whitewater Independent Counsel Kenneth W. Starr's office. Ronald Clark, the Rose firm's chief operating officer, and Gary Bunch, who worked for McDougal, said the bill was paid about five months before Clinton, a Rose partner, met with McDougal."

A Yes, that's correct.

Q Now -- okay. So it is your testimony that the bill was paid about five months before April of '85?

A Yes.

Q Okay. Now, in the second column, it says "Bunch, the bank's former president, also said the bill was paid in the fall of '84."

Now, that's been your testimony today?

A Correct.

Q It goes on. "He said Hillary Clinton was not involved in getting the bank to pay."

Is that also correct?

A She wasn't involved with me.

Q So you have no memory of Mrs. Clinton being

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involved in the payment of the bill?
A Zero, none.
Q All right. Down below, the article says, "Bunch said the bank was 'a little draggy' in paying Rose for representation in an appeal of a lawsuit."
By a little draggy, I take it you mean the bill wasn't paid right away?
A Correct.
Q You were a little slow?
A Correct.
Q And it goes on. "He said that was understandable because the law firm lost the case."
A That's correct.
Q Now, then the last part I want to read, "Bunch said during the past two months, he has given records to Starr's office including minutes from board meetings in which the Rose bills were discussed."
That's true?
A I believe she said that. And I just told her she had the right -- somebody had given her the right information, I believe is exactly how it went.

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But...
Q Okay. It goes on, it says, "he said he kept no copies of the records and does not remember exact dates."
A I told her I didn't know if we had -- I didn't know if Starr's people had took the records or we just made them copies.
Q Okay. So this is wrong. You do have copies?
A We still got the originals.
Q Okay. You've got the originals. Well, the committee may be interested in those. So if you would, please, don't do anything with them.
A Don't worry, we're not getting rid of anything.
Q All right. We appreciate that.
A Go to Starr's office, they have copies of what we got.
Q Well, if it comes to it, it may be easier for us to deal with you than with Mr. Starr.
But the last thing here is, "he believes that the board authorized negotiations with Rose on

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settling the bill around September 1984 and made the payment in November 1984."

Is that your recollection?

A Yes. By the way, for your all's information, this Susan Smith or whoever the hell she is, she had -- she had this information and she called me; I just verified that it was true.

So she got it -- had to get it from Starr's camp down there somewhere, because she damn sure didn't get it from me.

Q Well, we won't go into here how she got the information.

A Okay.

Q Now, I've got another article which I didn't send to you. It's an Associated Press piece from May 1st, '96. And it said, "Bunch said the bill was $5,894, was negotiated downward."

Is that correct?

A Bunch didn't say that. He said that was the amounts, and I said that sounds like what it was.

Q And it is correct that the bill was negotiated downward to 5,000?

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A That is correct.

Q And that was -- and again that was deemed to be in satisfaction of the entire bill?

A This is correct.

Q All right. I want to refer you to the documents which have numbers 17 and 18 on them.

A Okay.

Q All right. For the record, this is DKSN000800 and DKSN000801. These are two pages out of the sworn interrogatory answers that Mrs. Clinton gave to the RTC.

If you'll bear with me for just a minute, Mr. Bunch. I want to read some of this into the record.

A Fine.

Q "The Rose law firm had first represented Jim McDougal in about 1981 with respect to litigation arising out of his purchase of the Bank of Kingston. I did not work on the 1981 matter, but I recall that Jim disputed the amount of his final bill and refused to pay the entire amount requested.

"To the best of my recollection, the

president of Madison Guaranty, John Latham, who was a friend of an associate of the Rose law firm, Richard Massey, became interested in having Madison Guaranty issue some kind of preferred stock to raise capital.

"Latham had spoken to Massey about doing the related legal work in the spring of 1985. Massey came to see me because he had learned that certain lawyers at the law firm were opposed to doing any more work for Jim McDougal or any of his companies until he paid his bill, and only if Madison Guaranty agreed to prepay a certain sum to the firm once a month to cover fees and expenses.

"Under such an arrangement, the firm could be assured that Madison Guaranty was staying current with regard to paying for the new work that the firm might do for it. I believe Massey approached me about presenting this proposal to Jim McDougal because he was aware that I knew him.

"I agreed to go see McDougal. And I visited him at his office on April 23rd, 1985 and told him I understood Latham wanted Massey to do some work for Madison Guaranty but that our firm would not



let Massey proceed until the previous bill was paid and some kind of prepayment arrangement was worked out for new work -- for new work the firm might do.

"As I recall, McDougal agreed Massey could proceed with the work and informed me that he would arrange to pay the past due bill. McDougal also indicated that he was agreeable to some kind of prepayment arrangement."

Now, that's Mrs. Clinton's sworn testimony.

Mr. Bunch, she's incorrect about there being an outstanding Bank of Kingston bill as of April of '85, isn't she?

A Well, to the best of my knowledge, she would be, yes, wrong with her dates, anyway.

Q Well, after the bank paid the $5,000 in the fall of '84, were there any other bills that they owed to the Rose law firm?

A None that I've ever seen or heard about, no.

Q Do you recall the Rose law firm doing any more work for Madison after the fall of '84?

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A Not that I remember.
Q Well, can you think of any reason why she would be confused about this?
A Well, certainly, it's been 12 years ago, 11 years ago, I can see where she could be off a year.
Q Well, she seems to have a pretty specific account of how someone approached her in April of '85 and wanted to do work for the bank, but there was this problem of an unpaid bill. Is any of that true?
A It was in '84.
Q Well, what about in '85?
A '4 is all I know. We were paid in good standing. Again then, of course, Jim could still have a bill. But the Bank of Kingston, as far as my knowledge, didn't have one. Jim McDougal could have still had one with her.
Q The first part of this statement seems pretty clear to indicate it was a bill owed by the Bank of Kingston.
But again as far as you know, that bill was paid in the fall of '84?
A That's correct.

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MR. IVEY: Well, let me ask for the record. What's the first part you're referring to?
MR. BARTOLOMUCCI: I'm talking about the first paragraph which is the first two sentences.
MR. IVEY: "The Rose law firm had first represented Jim McDougal in about 1981 with respect to litigation arising out of his purchase of the Bank of Kingston"?
MR. BARTOLOMUCCI: That's right.
MR. IVEY: And that clearly indicated what to you, that this was a Bank of Kingston bill as opposed to a Jim McDougal bill?
MR. BARTOLOMUCCI: Right, since the Huntsville litigation had to do with the purchase of the bank, and Jim's desire to essentially move the home office. But you know no one has to accept my characterization necessarily.
BY MR. BARTOLOMUCCI:
Q Mr. Bunch, do you have anything to add on this topic?
A No more with me. No, in other words.
Q Okay. All right. Let's talk about

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something different.
Now, do you recall that in 1981 Mrs. Clinton took out a personal loan from Madison Bank?
A Yes.
Q And I want to refer you to the document I sent you which has a 1 on it.
A Yes.
Q For the record this is a document produced to us by Madison Bank, and it has the Number 150 on it.
Does this document reflect information about Mrs. Clinton's loan?
A Yes, it does.
Q And this was a December 16th, 1980 loan in the amount of $30,000, which was to be paid off a year later?
A That's correct.
Q Now, this was a personal loan to Mrs. Clinton or Mrs. Hillary Rodham, as she was known then; is that right?
A Correct.

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Q Were you involved in the making of this loan?
A No.
Q But you knew about it?
A Yes.
Q Did you know in December of 1980 that she was the wife of the former governor?
A Yes.
Q Did you know what the purpose of the loan was?
A Not at that time I didn't. It wouldn't have made any difference.
Q Well, what's your current understanding of what the loan is for?
A A house and three acres, and that's my understanding by looking at the note.
Q Okay. Did you ever come to learn that this loan was related to the Clintons and McDougal's real estate venture called Whitewater?
A Yes.
Q All right. When did you learn that?
A Two, three years ago.

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Q Did you have any discussions with Mrs. Clinton about this loan?
A No, I did not.
Q How about with Mr. Clinton?
A No, I did not.
Q Jim McDougal?
A Not that I even remember with Jim, no.
Q Now, do you recall a time when Mrs. Clinton's loan became past due?
A I didn't remember it being past due. But obviously it was through some letters that are dated by the vice president Mrs. Pockrus who wrote her a letter I see here.
Q I'll identify those for the record. This is DKRT700318, that's a letter from Teresa Pockrus, an executive vice president of Madison Bank addressed to Hillary Rodham dated August 5th, '82.
And then there's DKRT400134, a letter from Hillary Rodham to Teresa Pockrus dated August 11th, '82.
So you've read these letters over?
A Yes.

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Q And so it's your understanding that Mrs. Clinton's loan did become past due?
A That's correct.
Q Were you --
A By looking at these letters, yes.
Q So you weren't aware of that at the time?
A No.
Q You worked with Teresa Pockrus; right?
A Yes, I do.
Q Was she a capable bank employee?
A Yes.
Q Did you have any discussions with Ms. Pockrus about this?
A Not that I remember. Teresa was handling that sort of thing. And I was the one at that time waiting on customers, dealing with people one on one. She just did paperwork mostly.
Q All right. Did Ms. Pockrus, did she report to you? Were you her boss?
A No.
Q Okay. So she could write a letter like this and she'd have no reason to mention it to you?

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A No, she wouldn't. Jim was still both of our bosses then.
Q All right. I want to refer you to the document I sent you which is numbered 4, 5 and 6.
Do you have those?
A Yes.
Q Okay. This is a Washington Post article from March 26th, 1994. And on the second page of it, the page with the 5 on it, you're mentioned down near the bottom.
A Yes.
Q It says "Gary Bunch, who remained an executive at the Bank of Kingston after McDougal bought it from his family, said that 30,000 and 20,000 liens that Bill and Hillary took out in 1980 and 1981 also would probably not pass scrutiny under current banking laws."
Now, the $30,000 loan that you're referring to there is the same one that we talked about earlier; right?
A That's correct.
Q And what did you mean -- well, let me ask

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you this. Did you say or is it your belief that that law probably would not pass scrutiny under current banking laws?
A Not today. I've learned a lot about banking since 1980.
Q Well, is that a true statement as far as you know?
A Yeah, it's a true statement. We probably didn't have anything in the file but a signed note. I'm sure there wasn't a financial statement. No documentation at all.
Q All right. If you would, because I'm not a banker, would you explain to me why the loan to Mrs. Clinton wouldn't pass scrutiny under current banking laws?
A Because there wasn't any documentation in the file I'm sure.
Q What kind of documentation --
A Not because of her credit. It's like -- since I'm on record on this deal, I was also on record of some interview that I gave somebody, I'd loan her, Hillary or Bill, either one that much on

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their signature today.
But the scrutiny was, it's obvious with all the banking -- in fact, that's why we have -- that's why Jim hired Teresa Pockrus. She is an ex deputy FDIC examiner to dress up the files is what he hired her for specifically and get our documentation up, brought up to speed.
Q Okay. What sort of documentation was missing?
A I don't know. I don't remember. But it was like most of her files. I mean that's why we got wrote up on the cease and desist -- or one of things, there was very little or, if any, documentation in there, just a signed note, a mortgage would normally be.
Q And it's your understanding as a banker that the issuance of a loan with the type of documentation that you found, that would be illegal?
A Not illegal. I don't think there's anything illegal about it.
Q But it would violate banking law regulations?

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A Good sound banking practices, I believe is how they usually say it; not sound banking practice, in other words.
Q And now we've already talked about the fact that Mrs. Clinton's loan did become past due; right?
A Well, yes, from what -- I wasn't aware of it. I am aware of it now.
Q So maybe there's something to these banking regulations?
A Oh, yeah. Oh, yeah. I'm not arguing with you. In fact, I try to get financial statements and tax returns.
Q I mean there's a good reason why banking regulations require that certain documents be submitted; right?
A Exactly. Like I said, I've learned a lot since then.
Q You may have thought that the former governor's wife was a good risk and --
A Well, obviously she was. She paid it off.
Q But for a while there, it was past due; right?

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A Well, from looking at this, it was, yes. I don't know how many days it went over.
Q Now, Ms. Pockrus's letter DKRT730018 says, "the notice currently reflected is past due as defined by federal and state authorities, a satisfactory agreement needs to be worked out."
A Let's see. What does it say about how many days or does it? It doesn't. So I really didn't -- well, the letter was dated August 5th.
Let's see. She may have paid that. We don't have a clue that she paid anything. But, yeah, from judging from the correspondence that we have, yes, it was past due.
Q Now, in fact, Mrs. Pockrus' letter indicates in the first sentence that the note matured on June 1st of '82. Do you see that?
A Yes.
Q And the letter's written on August of '82?
A Yes. Yes.
Q So it was a couple of months past due at that point; right?
A Yes, by looking at that.

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Q All right. Now, in 1983, do you recall if the bank came under scrutiny from federal regulators?
A Yes, it did.
Q And the bank entered into a stipulation and consent to the entry of an order to cease and desist; is that right?
A That's correct.
Q And that was an order with the FDIC?
A Yes, it was.
Q Now, document -- one of the documents I sent you which carries number 7 and 8. Do you have that?
A Yes.
Q I'll identify it for the record, it's VCH000410 and 411.
Mr. Bunch, is that your signature on the second page of the document on page 8?
A Yes, it is.
Q All right. So this is a copy of the consent to the entry of an order to cease and desist that we're talking about?
A Yes.

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Q And then the next document I sent you, 10 and 11. Do you have that?
A Yes, I do.
Q I didn't send you the whole thing. But this is --
A 10 and 11, yes.
Q This is an April 27th, 1983 order to cease and desist. It bears Bates number DKSN00156, and I've also produced here 1157.
Is this the order cease and desist that the bank was subject to?
A It looks like it, a copy of it anyway.
Q Now, one of the things that the FDIC criticized and addressed in its order was the bank's issuance of out-of-territory loans; right?
A Correct.
Q And Mrs. Clinton's loan would have been considered an out-of-territory loan; right?
A Yes, it would.
Q Because she was a borrower in Little Rock, the land securing the note was in Marion County. Are these reasons why it would be out of territory?

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A It would have been out of territory, yes.
Q Now, referring you to the page 11, DKSN00157, which is also the second page of the cease and desist order. Do you see that?
A Yes.
Q All right. I just want to read part of it for the record. It says, "it is ordered that Madison Bank & Trust Kingston cease and desist from the following unsafe or unsound practices; extending credit outside of the bank's trade area," then it gives an exception. And it says, "for the purpose of this order, the bank's trade area is defined as all of Madison County and the western half of Newton County within the State of Arkansas."
So within the terms of this order, Mrs. Clinton's loan was out of the bank's trade area; right?
A Well, no, no. I mean we still had where it's found by the board that such a loan could be beneficial to the bank.
Q Do you know if any such finding was made with respect to Mrs. Clinton's loan?

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A I don't remember it, no.
Q What was your answer?
A No, I don't remember anything specifically. I think -- the only thing I remember specifically was that the examiners at that time that talked to me, it was McDougal himself and his companies, you know, that he owned.
He had more money borrowed then he had given for the bank at that time. So that was one of the major things that I remember, that I still remember that they talked to me about.
Q Okay. So you recall the FDIC being critical of excessive lending to Mr. McDougal?
A Correct.
Q But they were also very concerned about out-of-territory lending by the bank, too; right?
A Yes.
Q And that's what reflected in these documents we've been looking at?
A Correct.
Q Okay. Now, the bank also received some scrutiny by Arkansas regulators; isn't that right?

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A More of the same, yes.
Q All right. I want to go back to The Washington Post article that I -- that we looked at, the one from 1994, which has numbers 4, 5 and 6 on it. I'm sorry to jump around the docs like that.
A That's fine. Counsel's doing a good job.
Let's take a short break while he's looking this up.
MR. IVEY: That would be all right with me.
MR. BARTOLOMUCCI: All right. Just tell us when you're back.
(A brief recess was taken.)
BY MR. BARTOLOMUCCI:
Q Okay. Turning your attention to The Washington Post article from '94.
A Okay.
Q Part of it says, "as head of the Bank of Kingston in Northwest Arkansas, McDougal and his partners came under sharp criticism from then Governor Clinton's banking commissioner Marlin Jackson" --

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A Excuse me, where are you reading from?
Q This is not the Washington Post article with Hillary's picture, but the one that has numbers 4, 5 and 6 on it.
MR. CAIN: I think we found you, down toward -- two thirds down the page.
MR. BARTOLOMUCCI: Yes, it's in the fourth paragraph.
MR. CAIN: Okay.
BY MR. BARTOLOMUCCI:
Q So it said that "McDougal and his partners came under sharp criticism from then Governor Clinton's banking commissioner Marlin Jackson for making too many loans outside of the immediate service area around Madison County." Now is that right?
A Yes.
Q Okay. So the documents that we just looked at, the cease and desist order, et cetera, those were FDIC documents; right?
A Correct.
Q So there was separate regulatory attention

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being paid by the state examiners?
A Yeah, we were a state bank, still are.
Q Sure. And I take it that the state bank board under Marlin Jackson, like the FDIC, was also critical of the out-of-territory lending?
A That is correct.
Q Okay. If you would find documents 12 and 13.
A Okay.
Q Just for the record, these aren't Bates numbered. But the first document is a letter from Mr. Bunch to Marlin Jackson dated June 5th, '84, then the next page is a chart titled, "strategic plan of action for adversely classified assets."
A Correct.
Q So on your letter to Mr. Jackson, it says, "enclosed is our June progress report showing the loans that were listed in the examination report of June 27th, '83."
The examination report of June 27th, '83 would have been an examination by the Arkansas State Bank Department?

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A Yes.
Q And did that report require your bank to do something?
A I don't remember if theirs did. Yes, we had to send them reports, the same as we did the FDIC, the best I remember on it, on the cease and desist deal, yes.
Q Did the state bank department make annual examinations?
A They're just like the FDIC. It's just, you know, periodically. You don't ever know.
Q Okay. Well, this second page, it has Number 13 on it.
A Right, okay.
Q I'm trying to figure out exactly what this is.
A Well, that's just a page of all of our classified assets which is we had to give. We had to give them the progress reports on how we were coming on these out-of-territory and et cetera loans.
Q Okay. So the third loan listed on this chart is Hillary Rodham, Little Rock.

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A Right.
Q Then it says, "action to be implemented, to be paid within 60 days." So is that a directive that the state bank department laid down?
A I think it was probably a directive of the FDIC cease and desist, not just hers, but our classified assets had to drop like on a timetable. Like every so often you had to have them get your percentages down.
Q All right. Well, the cease and desist --
A To work herself from out of the cease and desist order so we didn't have to make a report every month or two months, whenever we had to make it.
Q So you were reporting to the state bank deposit on the progress you were making towards complying with the FDIC cease and desist order?
A Yes, that's the way we had to do it. We had to send them a copy saying that. The same we sent the FDIC, yes, they required a copy, too.
Q So this document with the 13 on it reflects that Hillary Rodham's loans was one of the ones as to which action had to be taken?

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A Right. And it was paid off.
Q It does note that it was paid off, that's right. This business about to be paid within 60 days, where did that come from?
A Well, that was on our initial plan of action on our out of territory -- on all our out-of-territory loans.
Q Okay. So in order to come up to speed with respect to the cease and desist order, the bank made a determination that Mrs. Clinton's loan had to be paid within 60 days?
A I don't know if we made that determination or if she agreed to do it in 60 days. I would assume -- you know, normally we try to get the best -- I remember getting a hold of everybody and seeing what they could do, and then, you know -- I don't think we actually just told her it had to be paid within 60 days.
We were trying to get something worked out where we just had something on paper on some kind of a schedule where we could work it out.
Q Okay. So it's likely the bank approached

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her and said this loan has to be paid off, we can't extend it any more?
A That's correct. Or we would certainly like for it to be paid off.
Q All right. And the fact that to be paid within 60 days, that's a relatively short time period, isn't it?
A Yes. And that's what I say, I'm assuming that that was her response, because I don't ever remember us -- actually, I don't think we ever demanded a single loan if I remember. We told them do what you can do, we want it paid off. If they could, we would like to have it even before that, as I recall. I don't remember ever demanding one.
Q Okay. But there was some urgency to pay off this loan, though; right?
A Hers and everybody else's because we were trying to get those out-of-territory percentages down.
Q Now, I want to refer one more time to that Washington Post article, the -- not the one with Mrs. Clinton's picture. It says --

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A What number are you on?
Q I'm on the page with the circled 4. This is again from the March 26th, '94 Washington Post.
A Okay.
Q "One of those loans made in 1980 was to Hillary Rodham Clinton who borrowed $30,000 from the Kingston Bank to build a model home on a Whitewater lot. That loan was refinanced at another's state controlled bank after Jackson warned Clinton that McDougal's lending practices at the tiny Kingston bank had drawn attention from federal regulators."
Now, do you recall Mrs. Clinton's loan being refinanced at another bank?
A I'm aware of it now. I didn't at the time, I didn't know. I wasn't familiar with how it was paid off.
Q So you weren't aware at the time of how she -- how she paid off the loan?
A No, I was not.
MR. BARTOLOMUCCI: Okay. Would you mind if we take just a quick break just for 30 seconds?
THE WITNESS: Sure.

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MR. BARTOLOMUCCI: Okay. Thanks.
(A brief recess was taken.)
BY MR. BARTOLOMUCCI:
Q All right, Mr. Bunch, we're ready to continue. Can I turn your attention to documents 14 and 15.
A Okay.
Q The first is a letter from Charles Campbell to Governor Clinton dated September 30th, '83. And the second is a check from Security Bank to Madison Bank in the amount of $20,800.
Do these documents at all refresh your memory with respect to how Mrs. Clinton's loan was paid off?
A No.
Q Okay. So you don't know anything about the loan being paid off by the proceeds of a security bank loan?
A Not as looking at this. And I've also seen copies of these documents that the FBI had. But until that time, no, I didn't have a clue how they were paid off or where from.

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Q All right. And you don't know anything about Marlin Jackson maybe arranging for the transfer of the loan to Security Bank?
A No.
Q All right.
A I'm not aware of it.
Q Just a couple more questions about this loan. It's our understanding based upon a loan history constructed by the RTC that this 20,800 check from the Security Bank also completely paid off the loan, but that a couple weeks later, there was a payment in the amount of $5,796 and some odd cents. But -- well, do you know who would have made that payment?
A I do not have a clue, no.
MR. CAIN: Are we supposed to have a copy of the document you're getting this information, from, sir?
MR. BARTOLOMUCCI: No.
MR. CAIN: Okay.
BY MR. BARTOLOMUCCI:
Q The last topic I want to discuss with you

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is the Whitewater loan.
A Okay.
Q Now, you're aware now that Whitewater Development Corporation had a loan from the bank?
A Sure.
Q Now, they also had a checking account there; right?
A Correct.
Q What do you recall about the Whitewater loan?
A Nothing.
Q Did you ever talk to McDougal about it?
A No.
Q How about Bill Clinton?
A No.
Q All right. Let me refer you to document 19 --
A Okay.
Q -- which was produced to us by Madison Bank, I'm afraid the Bates number has been cut off.
A The 19 -- the 30,000 note from Whitewater from James McDougal.

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Q Right. And this is loan number 2,3337; right, it's reflected in the top right-hand corner?
A Yes.
Q I note down at the bottom, it says it was for operating capital.
A Yes.
Q Do you have any knowledge about what the purpose of the loan was?
A No.
Q Do you have any information about who made the payments on this loan?
A No, all I know is they're paid off.
Q All right. Now, it's your understanding that there was a payment of $27,600 in November of '82 to retire this loan. Do you have any knowledge about that?
A None other than looking at these general ledger tickets, no.
Q So you're referring to the document now with a 20 on it?
A Yes, I am.
Q And this also has Bates Number 147, the

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document produced to us from Madison Bank. Now, these documents -- these general ledgers reflect a payment toward the Whitewater loan?
A Well, yeah, but they've got -- I just noticed this on the loan, they got 23337, and this has got 23337-01.
Q What would that dash 01 refer to?
A That would be another loan. 23337 should be like dash 00.
Q Could that mean that the loan was refinanced or extended or something like that?
A Well, it would have to be another loan, yes. 01 should be a different loan from 00.
Q But the fact that it's also 23337, that indicates that it's related?
A To Whitewater, yes.
Q Well, and it's related to the initial loan?
A Not necessarily. We still number them like this. When you -- say you come here and got a loan, okay, your number would be like 23338, okay, dash 00, okay. Then if you paid that off or even if you didn't, you come in the next loan would be 23338-01.

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So this is a different loan.
Q All right. Now --
A I'm assuming it is by looking at what you've got here. Right, right. I don't know looking at what we got here.
Q Now, the statement that's written down below, we were unable to locate the checks for this payment.
A Yeah.
Q Was that something that one of your people wrote on the document?
A I believe it probably was, yes.
Q And that indicates that your records simply don't reflect who made this payment?
A Correct.
Q And I take it that you have not subsequently learned who made the payment?
A That's true.
Q All right. We've got one more document to look at. Number 21. It's a letter dated October 22nd, '86 from Carolyn Huber to Hillary.
A Yes, I'm looking at it.

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Q Down at the third numbered paragraph --
A Okay.
Q -- it says, "I also spoke to Gary Bunch at Madison Guaranty, and he didn't know anything about the property."
A I never worked at Madison Guaranty.
Q Now, I gather from this letter that Mrs. Clinton was trying to get -- was having Carolyn Huber gather some information about a Whitewater property.
Do you recall Carolyn Huber? Do you recall her calling you to ask about a Whitewater property?
A No, I do not. And this says -- if you'll notice, it says Gary Bunch at Madison Guaranty. I was never at Madison Guaranty.
Q Well, are you aware of any other Gary Bunches in Arkansas?
A No.
Q Well, I was just guessing that probably she meant Madison Bank or she was confused.
A Probably.
Q Do you know Carolyn Huber?

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A No, I do not.
Q Can you recall ever talking to her?
A I don't remember talking to her.
Q All right. Just the last question that I have for you is. Have you ever been contacted by anyone associated with the White House or the Bill Clinton campaign?
A No, not that I remember.
Q Have you ever talked to a man named David Kendall?
A David Kendall? No, I don't remember ever talking to him.
Q So other than reporters or the FBI or Ken Starr's people or us here at the Senate, has anyone ever talked, you know, questioned you about the matters we've discussed today?
A I've been asked so many questions by so many people, but I don't remember any, no.
Q I'm trying to exclude --
A I certainly never talked to Bill or Hillary. And I did speak to McDougal one time when he called and said, gave us permission to release

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anything he had personally or something over there. I don't remember talking to anybody else.

MR. BARTOLOMUCCI: All right. I think that's all the questions I have at this time. So I'm going to turn it over to Mr. Ivey.

EXAMINATION

BY MR. IVEY:

Q Good afternoon. How are you?
A I've fine.
Q Are you going to need to take another break?
A No, I'm ready to get through.
Q Let's go back to this Washington Post article, the one --
A Are you going to ask me about the same article?
Q Yes, I'm asking the questions from a slightly different perspective though.
A All righty. Roll on.
Q This is Number 16, the number that he put on the bottom of it in any event. It's the May '96 article.

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A Okay.
Q Now, Mr. Bartolomucci read part of this to you. And I wanted to go back through it and make sure I understand exactly what you're agreeing to. Okay?
A Okay. What's the number again?
Q This is number 16, the heading of the article, "First Lady's account of meeting disputed."
MR. BARTOLOMUCCI: The one with the picture on it.
THE WITNESS: Yes.
BY MR. IVEY:
Q All right. Let me read, this is the second paragraph in the article, it says, "publicly and in sworn interviews with federal investigators, Clinton has said that she met about the S&L loan with James P. McDougal in April 1985 to get him to pay an old Rose law firm bill and to work out a prepayment plan before Rose agreed to do more work for him."
Have you had a chance to read Mrs. Clinton's interrogatories?
A No.

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Q Okay. So the first part of that in which the reporter is saying that Mrs. Clinton has said this, you don't have any direct knowledge about?
A No, I do not.
MR. BARTOLOMUCCI: Just so it's clear, he has read the two pages that I sent to him.
MR. IVEY: Unfortunately that was after you --
THE WITNESS: I didn't read them. You read kind of read over them.
BY MR. IVEY:
Q Okay. Now, the third paragraph, the one right after that, it says, "but McDougal paid his outstanding bill of several thousand the previous year according to two people who have reviewed records turned over to Whitewater Independent Counsel Kenneth W. Starr, then Ronald Clark, the Rose firm's chief operating officer, and Gary Bunch, who worked for McDougal, said the bill was paid about five months before Clinton, a Rose partner, met with McDougal."
I assume you have not talked to Mr. Clark?

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A No, not that I'm aware of.
Q Okay.
A Who is Mr. Clark? He's with the Rose law firm? No, not that I remember.
Q Okay. Now, with respect to the second part, it says that you worked with Mr. McDougal, and you said the bill was paid about five months before Clinton, a Rose partner, met with McDougal.
And you agree to that part, I take it?
A Well, I -- I'm agreeing the bank paid the bill in November. And I don't know -- evidently she said that. Like I said, she may have -- I don't know about her testimony.
Q Fair enough. Let me ask you this: You looked at some documents that you gave to the independent counsel; is that correct?
A Some of them, why? Which one?
Q The ones that are mentioned in the article here relevant to the repayment to the -- to the payment of this bill.
A Yes.
Q Okay. What all did you look at? What were

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the documents that you looked at?
A We had general ledger tickets and minutes from Madison Bank & Trust that gave me the authority to negotiate the bill and pay it.
Q What was the date of the general ledger ticket, do you recall?
A I don't recall, they were in I believe -- but we still have them.
Q Okay. But you don't have it there with you?
A Could you hold on just one second?
Q Sure.
A We don't have any.
MR. BARTOLOMUCCI: Can I ask you something, Mr. Bunch, is a general ledger ticket like a receipt?
THE WITNESS: No, it's a general ledger ticket to balance the bank's general ledger. You know, everything's got a number and a title. It shows that we had a cashier's check, I believe. It shows disbursements to expenses paid.
BY MR. IVEY:

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Q And you recall it showed a payment of $5,000?
A Yes, I believe that's right.
Q And do you recall roughly when that was?
A No -- November, wasn't it, Counselor? Between September and November in '84. We can give you the actual date of the ticket.
Q Okay. And now with respect to the minutes that you mentioned, what period were these minutes taken and when did this board meeting take place?
A They were about a month prior to the general ledger tickets, weren't they? It was like September and they were October, or it was October and they were November, one or the two. There was like a month or something; pretty close. Within a month or within two months, for sure I think.
Q All right. And do you remember who -- well, let me rephrase it.
Did you deal with someone at the Rose law firm after that board meeting in which you were authorized to address this debt?
A Obviously I did, but I don't have a clue

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who.
Q Okay. Does the name C. J. Glorior ring a bell?
A No. There wasn't -- I just don't have a clue. But like I said, obviously I probably did.
Q Let me go back to the origin of this bill. This was legal representation with respect to the desire to move the bank; is that correct?
A That's correct.
Q And that -- I think the bill was sent to you in December of 1981?
A Probably.
Q All right. And your recollection is the payment was made in the fall of 1984?
A Correct.
Q Okay. So this is roughly three years that the bill was outstanding?
A The bill wouldn't have been -- I don't remember when the appeal was.
Q No, I said bill.
A I don't know.
Q I'm sorry. I said, was this roughly three

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years that the bill was outstanding, not the appeal, the bill?

A No, I think the bill was only like a couple of months. I don't know. Without looking at them, I don't even remember.

MR. BARTOLOMUCCI: It's possible that the bill was in '82?

THE WITNESS: It would probably be more than likely, I believe.

BY MR. IVEY:

Q Let me --

MR. CAIN: Sir, off the record just a minute. This is Howard Cain speaking.

MR. IVEY: Yes, sir.

(Discussion off the record.)

BY MR. IVEY:

Q I wanted to read an excerpt from the Pillsbury, Madison report that addressed this issue at least to some extent. And I'm going to start reading, "other evidence is consistent with this explanation," that's a reference to Mrs. Clinton's interrogatories testimony --

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MR. BARTOLOMUCCI: Glenn, what page is this?

THE WITNESS: I was going to say, where are you reading this from?

BY MR. IVEY:

Q You don't have this I don't believe. It's page 6 of the Pillsbury Madison report, one piece of it. In any event, the one invoice located is December 23, 1981. But it covers services subsequent to our billing dated December 23, 1981 through May 15, 1982. And the listed disbursements go through July 31, 1982. C. J. Glorior, Junior of the Rose law firm sent the invoice to Jim McDougal on October 10, 1983.

Does any of that ring a bell for you?

A No.

Q Okay. I've got a copy of what I believe is the invoice that we're talking about here. There's a Bates stamp number 180 on it. At the top of it, it's got Rose law firm, it's dated December 23, 1981. And under that, it's got an account with James B. McDougal, chairman of the board, Bank of Kingston,

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Kingston, AR 72742.
And there's a double line across the top, just above the line, there's CJG in capital letters with a dash, and an SG next to it.
And then under that, it says for legal services and professional advice rendered by Vincent Foster, Junior, Carol Arnold and Mary Ellen Russell, subsequent to our billing dated December 23, 1981 through May 15, 1982, in connection with the matter of First National Bank of Huntsville v. Madison Bank & Trust, Madison Chancery E-81-112.
Then there's a broken line, it goes across, and it's got $5,000 written next to it.
Does that sound like the bill?
A It sure does.
Q Okay. Under that it's got costs advanced subsequent to our billing dated December 23, 1981 through July 31, 1982. And it's got a variety of charges. Total costs from that are 893.63, and then total fees and costs overall are 5,893.63.
Does that sound like the bill that we were talking about here with respect to --

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A The one that somebody showed me.
Q Okay. And is that the one you were talking about in the news article?
A I wasn't. They're the ones that was talking about it. I told them they had good information wherever the hell they got it.
Q But they didn't get it from you?
A No.
Q All right. Now, attached to that bill, we have a copy of a letter. It's dated October 10, 1983. It's on Rose law firm stationery letterhead. It's from C.J. Glorior, Junior, to James B. McDougal.
And it says, "Dear Jim, pursuant to your discussion with Hillary Rodham Clinton, I'm enclosing herewith a copy of our firm's statement December 23, 1981 covering services rendered in connection with the matter of the firm -- of the First National Bank of Huntsville v. Madison Bank & Trust."
Okay. So it seems that this letter references the bill that we were just discussing, would you agree with that?

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A Probably, yeah.
Q Okay. Because it says dated December 23, 1981, and we know that the bill was dated that as well.
A Yes, from what you're saying, yes.
Q Okay. So it appears that C. J. Glorior of the Rose law firm was at least in this correspondence and perhaps other ways discussing this bill with James B. McDougal directly.
Do you think that's a fair statement?
A It sounds like it.
Q Okay. So is it possible given the existence of this letter and the fact that it was attached to this bill that we were discussing, is it possible that Mr. McDougal was having conversations with attorneys at the Rose law firm with respect to this bill?
A Of course, it would be possible.
Q And --
A Yes.
Q And were you privy to all of the conversations that Mr. McDougal had with people at

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the Rose law firm?
A No, I didn't have -- I was busy taking care of customers.
Q Yes, sir. You were executive vice president at that time?
A Yes, something.
Q And I take it you had a significant amount of responsibility with respect to running the bank yourself?
A Correct.
Q And Mr. McDougal also --
A I was taking care of customers, and Mr. McDougal, Jimmy boy was wheeling and dealing.
Q Yes. I take it he didn't run everything by you or other people at the bank before he necessarily did them; is that fair to say?
A Fair.
Q Okay. So then with respect to this bill, do you know if there had been conversations in the fall of 1984 or in the spring of 1985 with respect to this bill between James McDougal and the Rose law firm that --

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A I don't have a clue.
Q Okay. Is it possible they were having conversations that you're not aware of?
A Of course, it would be possible.
Q That wouldn't surprise you given your knowledge of Mr. McDougal?
A Oh, no.
MR. CAIN: Quit leading the witness here.
MR. IVEY: That's what they pay me to do.
BY MR. IVEY:
Q Now, there's also a mention in this article about a meeting in April 1985 between Mrs. Clinton and James P. McDougal. Do you see that there?
A Are we back to our number 16 here? Yes.
Q Yes, sir.
A Yes.
Q Do you see it?
A Yes.
Q Do you know anything about that meeting, other than what you've read?
A No.
Q Okay. So you weren't present at the

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meeting at the time?
A No, I was not.
Q Do you have any idea what was discussed at the meeting?
A None.
Q Okay. So I take it you didn't talk with Mrs. Clinton or Mr. McDougal after that meeting took place about what had taken place in the meeting?
A That is correct.
Q And, again, there's a point here in the paragraph -- in this article, it says "Bunch, the bank's former president, also said the bill was paid in the fall of '84. He said Hillary Clinton was not involved in getting the bank to pay."
Now, I think your testimony previously was that, to the best of your knowledge, she wasn't involved.
But, again, you don't know what took place or what was said at the April 1985 meeting between Mrs. Clinton and Mr. McDougal?
A I don't have a clue what was between them, no.

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Q Okay. So when you made that statement --
A She didn't talk to me.
Q I'm sorry?
A She never did talk to me about the bill.
Q Okay. So this statement that's attributed to you in the article needs to be qualified to the extent it shows your direct knowledge, it doesn't necessarily refer to the meeting between Mrs. Clinton and Mr. McDougal in April of 1985?
A That's correct.
MR. BARTOLOMUCCI: Now, wait. With respect to his knowledge, it says that the bill was paid in the fall of '84, and he did have knowledge Mrs. Clinton wasn't involved in that; right?
MR. IVEY: I don't want you asking clarifying questions. If I've misstated something factually, you can raise that as an objection, as I did earlier. But I'm thinking we've taken turns on asking questions, and I certainly waited for you to finish your questions before I started mine.
MR. BARTOLOMUCCI: I meant that as a clarifier.

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THE WITNESS: We've got some Democrats up there, too.
BY MR. IVEY:
Q I'm the Democrat.
A All right. Shit, I thought we had all foes and no friends. That's good news.
Q Let's take that last part off the record.
A That would be fine. We better leave it on there, hell.
MR. IVEY: Do you have any objection to --
MR. BARTOLOMUCCI: It is on the record.
THE WITNESS: I ain't got any problem with it.
BY MR. IVEY:
Q Okay, fair enough. Fair enough. Now, this is also inaccurate in this article where it says that you kept no copies of the records?
A Well, I might not have been telling her the whole truth there. Well, I really didn't tell her -- to tell you the honest truth, I think we still got them.
But I don't know if they gave them the

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originals. I'm sure or pretty sure we didn't give them the originals just copies. Yeah, we still got the originals.

Hell this other guy, he wanted to come up and read the minutes, the other article you talked about with AP or whoever.

Q The AP article?

A That guy that did the AP article, yeah.

Q I was going to ask you a question about that one, too. I've got a different one from Mr. Bartolomucci.

This one says, "the document turned over by the Rose law firm in Arkansas shows McDougal paid off $5,000 of a 5,894 bill in November 1984 according to two lawyers familiar with the matter and speaking on condition of anonymity."

And that's consistent with your testimony, isn't it?

A That's correct.

Q All right. Now, the -- you said that your understanding was that the $5,000 was payment in satisfaction of the entire bill?

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A That's correct.

Q Okay. And that understanding was based on the conversation you had at the board meeting?

A Well, that -- yeah. It was really based on -- yeah, the board gave me the authority to negotiate a deal. We paid them the 5,000. And I don't reckon anybody else ever came up with any more correspondence, nor another bill for the $800.

So I'm assuming we worked OUT the bill. And it must have been all right, because nobody ever produced any other bills from Rose law firm for any other amount --

Q Okay. So let me see if I understand.

A -- after that.

Q Let me see if I understand that. You're saying that the $5,000 was paid; correct?

A Correct.

Q Okay. And that you didn't hear anything back from the Rose law firm; correct?

A Correct.

Q Therefore, you concluded that they accepted the $5,000 payment as total satisfaction of the bill?

A That is correct.
Q Okay. Now, let me go back to what I was asking you a minute ago. Are you aware of other conversations that took place between Mr. McDougal and the Rose law firm?
A No.
Q Okay. So is it possible that the remaining amount of the bill, the amount above the $5,000 that was paid was negotiated or worked out between Mr. McDougal and the Rose law firm?
A Anything's possible.
Q You're just not sure one way or the other?
A I don't figure it happened, because nobody's produced a copy of it for me. And I'm sure they would have had one if there had been one. But that's my feelings. I could be wrong.
Q All right. I don't want to misquote you or anything. But I thought you said that you assumed it was worked out or something like that? Didn't you say that?
A I said I'm assuming. I don't have any direct knowledge of anything any different from



that. Because like I said, I've never seen any correspondence or any bills after we paid the $5,000.
Q Okay.
A But I have no reason to believe that there would be anything different than that.
Q Did you recall seeing the letter from Mr. Glorior at the Rose law firm in October of 1983?
A I don't remember it.
Q So there was some negotiations that took place with respect to the bill that you weren't privy to; is that fair to say?
A Yes. Obviously, there was a copy of it.
Q I'm afraid you don't have a copy of that. And I apologize for that. But I do want to be --
A It's fair to say. I'm sure there could have been, and I wasn't aware of it, yes.
Q Now, I think Mr. Bartolomucci read parts of Mrs. Clinton's interrogatory answer, and then asked you sort of an omnibus question about it.
I thought I wanted to go through and ask specifically about your knowledge about each part of

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the statement here. Okay?
A What numbers are you making reference to?
Q This is 17 and 18 in the package that Mr. Bartolomucci sent to you.
A Okay.
Q 17, I'm going to read the first paragraph, "the Rose law firm had first represented Jim McDougal in about 1981 with respect to litigation arising out of his purchase of the Bank of Kingston.
"I did not work on the 1981 matter, but I recall that Jim disputed the amount of his final bill and refused to pay the entire amount requested."
Now, to the best of your knowledge, I think you've already testified that you agreed that Mr. McDougal disputed the amount of the final bill, or am I misquoting you there?
A I don't know if he disputed it or he just wasn't in any hurry to pay it.
Q All right. And the first part that I read there, "the Rose law firm represented Jim McDougal in about 1981 with respect to the litigation"; you agree with that part, right?

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A Correct.
Q All right. And with respect to the payment issue, you will agree that even if he didn't dispute it, you certainly didn't pay it immediately?
A Correct, on the appeal, that's correct.
Q The second paragraph, Mr. Bartolomucci read this part to you, let me read it as well, "to the best of my recollection, the president of Madison Guaranty, John Latham, who was a friend of an associate at the Rose law firm Richard Massey became interested in having Madison Guaranty issue some kind of preferred stock to raise capital."
Do you know anything about that at all?
A No, I do not.
Q Okay. So you don't have any basis for confirming it or denying it or disputing it one way or the other?
A None, one way or the other.
Q Okay. Latham -- I'm going to read some more. "Latham had spoken to Massey about doing the related legal work. In the spring of 1985, Massey came to see me, because he had learned that certain

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lawyers at the law firm were opposed to doing any more work for Jim McDougal or any of his companies until he paid his bill and then only if Madison Guaranty agreed to prepay a certain sum to the firm once a month to cover fees and expenses."

Now, again, I guess this is a matter that's internal to the Rose law firm lawyers. I assume you don't know anything about this either?

A I don't have a clue.

Q Okay. "Under such an arrangement, the firm could be assured that Madison Guaranty was staying current with regard to paying for the new work that the firm might do for it."

Again, this is Madison Guaranty, and I take it you don't know about it?

A No, I don't.

Q I'm sorry?

A No, I don't have a clue.

Q Okay. The next paragraph, "I believe Massey approached me about presenting this proposal to Jim McDougal because he was aware that I knew him. I agreed to go see McDougal, visited him at his

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office on April 23, 1985 and told him that I understood Latham wanted Massey to do some work for Madison Guaranty, but that our firm would not let Massey proceed until the previous bill was paid, and some kind of prepayment arrangement was worked out for new work the firm might do."

Again, do you have any direct knowledge about that issue?

A None.

Q Okay. Reading again, "as I recall, McDougal agreed that Massey could proceed with the work and informed me he would arrange to pay the past due bill. McDougal also indicated that he was agreeable to some kind of prepayment arrangement."

Again, do you have any direct knowledge about any of that?

A None.

Q Okay. So all of interrogatory 17A that I just read, you don't have any direct knowledge about any of that, except the issue as to whether McDougal disputed the final bill or not; is that fair?

A That's fair.

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MR. IVEY: Okay. I need just a second. I got a lot of paper on the table here, so bear with me.

(Pause.)

BY MR. IVEY:

Q Let me ask you. Did you have any direct role in dealing with the payment of bills by the bank, other than this special assignment you got from the board?

A No.

Q So that's not something you normally would have dealt with?

A No. Jim usually had a girl to pay them, you know. I'm sure I did pay some, but he'd just give them like every time he goes through the bills, he's tell them what to pay and what not to.

Q Let me ask you a question about these out-of-territory loans that were discussed earlier. I believe you testified previously that the FDIC raised the issue of out-of-territory loans when they sent you this cease and desist order, this is page 11 or number 11 on the documents Mr. Bartolomucci gave

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to you.

A Yeah, that was part of it on the cease and desist, yes.

Q Okay. Mr. Bartolomucci read part of it for you, and I wanted to ask you about the middle part. I think you actually started to comment on it in your previous testimony.

But the part I want to ask you about, and again this is on page 11, it says, "extending credit outside of the bank's trade area except in such instances, 1, where it is found by the board of directors that such loans would be beneficial to the bank and, 2, where such loans have received prior unanimous approval of the board of directors."

So I take it that the cease and desist order did not ban or preclude out-of-territory loans entirely; is that fair to say?

A That's true.

Q Now, you mentioned that you didn't recall whether the board of directors had dealt with Mrs. Clinton's loan specifically on this?

A I don't remember.

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Q Okay. Do you recall the board of directors dealing with Mrs. Clinton's loan and saying, no, we're not going to allow that loan to be renewed or extended because it's out of territory?
A No, I don't image that happening.
Q Okay. And it's possible the board never dealt with that issue at all, isn't that a possibility as well?
A Yes, that's a possibility. Like I said, I don't remember -- we didn't -- I don't think we ever demanded a single -- on any loan, anybody's.
Q Okay. And I recognize that this was over a decade ago -- well, over a decade ago, so your memory might be a little sketchy on it. Nobody is expecting perfect recall after this period of time.
A Still I'll break in like I did then. When I got one past due, I kind of handle them with this soft gloves a little while, you know. If they want to play hard ball, we'll play hard ball, but be nice to start with, it usually works.
Q With respect to this loan, if you didn't have a board meeting that dealt with this unanimous

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approval issue, do you know if Mrs. Clinton would have been notified about that one way or the other, about the board meeting?
A I wouldn't -- I wouldn't know.
Q Okay. Were copies of the cease and desist order sent out to borrowers to your recollection?
A No. Hell, no.
Q Why would that be?
A Well, we weren't really advertising it to the truth.
MR. CAIN: We're not allowed to do that anyway.
MR. IVEY: And you weren't allowed to do it anyway?
THE WITNESS: No, that's FDIC.
MR. CAIN: That's a matter of confidential --
BY MR. IVEY:
Q So it was a confidential arrangement between the bank and the regulators?
A That's correct.
MR. CAIN: Correct.

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BY MR. IVEY:
Q And Mrs. Clinton -- I guess this is the point I'm trying to get at, Mrs. Clinton wouldn't have had anyway of knowing about it then; is that fair to say?
A That's fair to say.
Q Okay. So whether or not this was an out-of-territory loan or not and whether or not the bank had decided to grant an exemption to her loan under the cease and desist order would be beyond her knowledge, to your understanding?
A That's fair to say, yes. It doesn't appear -- I mean she was just on the list with everybody else that was out of territory.
Q Okay. So I take it you had more than Mrs. Clinton's loan made outside the territory?
A Hell, yes, that's just one of many.
Q Okay. So this wasn't a special break that you gave to Mrs. Clinton on this loan?
A No, not hardly, that's just one page. Hell, there's a bunch of pages, some kind of plan of action, but not every one of them.

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Q Now, let's go back to the other Washington Post article. This has got number 4 at the top, on the first page. Mr. Bartolomucci read part of the article which discussed out-of-territory loans.
It is the fourth paragraph down, "as head of the Bank of Kingston in Northwest Arkansas, McDougal and his partner came under sharp criticism from then governor banking commissioner Marlin Jackson for making too many loans out of the site of the immediate service area around Madison County."
Do you recall that, that being read to you earlier?
A I do recall -- not that particular, I just recall I visited with Mr. Jackson over the whole picture from A to Z.
Q And if you go to Number 12 and Number 13 for me, the documents, one is a letter that you sent to Mr. Jackson, it's dated June 5, 1984.
Do you see that document?
A Yes.
Q Okay. And the one behind it, it's Number 13.

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A Right.
Q On that document, it says Hillary Rodham, and then if you go across the page to the far column, it says paid off?
A Correct.
Q Okay. So I take it from that, Mrs. Clinton paid off the loan?
A Yes. In other words, our plan of action was to get it paid within 60 days. And then by the time I sent the report in to them, she had already paid it off.
Q All right. And the action to be implemented column, which is kind of in the middle of the page there, is this based on a plan of action that the bank internally conceived to meet the concerns of the bank regulators?
A Well, yes.
Q All right. And then you spoke with Mrs. Clinton as you recall with respect to paying off the loan?
A I didn't. Evidently Ms. Pockrus did it, but I didn't talk to her, no.

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Q Well, Mrs. Pockrus' letter is from '82 I believe. So this would have been August of '82, so this would have been a little time before.
But I think your previous testimony was that you didn't just play hard ball and ask people to pay loans immediately; is that correct?
A No, we did not.
Q So your thought was that with respect to Mrs. Clinton's loan, you thought that she had responded or suggested that she could pay off the loan in 60 days?
A That would be my guess, yes, looking at this.
Q Okay. So you don't recall the bank being particularly concerned about this loan and saying, Mrs. Clinton, you have to pay in 60 days or else?
A No. Definitely not.
Q Okay. And I noticed that this page in Number 13 in Mr. Bartolomucci's set of documents has a list of other names on that particular page.
A That's what I said long ago. That's just one page of several.

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Q Yes. Down on the side there, it's got page in and 15 next to it.
A Yes.
Q So I take it there were quite a few loans that the bank was either trying to have paid off or brought current to address the concerns of the regulators; is that fair to say?
A If you read that cease and desist order, you know, we had a time frame where they wanted it brought down. I don't really know what they were going to do with it if we didn't. But they gave us something to work toward anyway.
Q So I take it there was nothing exceptional or special about Mrs. Clinton's loan, this was just one in a number that the bank was trying to deal with in order to satisfy the regulators?
A One of many, yes.
Q Okay. Do you recall any special problems with Mrs. Clinton's loan that led you to put it in this category, or was it like many other loans that the bank had?
A I don't even remember.

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Q Let me ask you another question about this, too. Mr. Bartolomucci phrased a question to you, and he used the language that included the phrase action that had to be taken. And he connected that with Mrs. Clinton's loan.
My understanding of your testimony so far at least is that the action that was taken with respect to Mrs. Clinton's loan was taken by mutual agreement between the bank and Mrs. Clinton, is that fair to say or is that your understanding?
A Yes.
Q Okay. Did you get any sense from the regulators that they were singling out her loan in particular?
A No.
Q Now, you were also asked about whether this loan would pass scrutiny under current banking laws. Do you recall that question?
A Yes, I do.
Q That's language that comes from page 5 of the production Mr. Bartolomucci sent to you. It's at the bottom of that page. And it's part of a

Washington Post article. I wanted to ask you a little bit about that.

A Okay.

Q Now, I think your testimony was that what you meant by that statement was that the bank had not gotten adequate documentation with respect to the loan. And by that I mean, you didn't get financial statements, for example?

A May not have. I don't know if I had anything in it or not, I don't know.

Q So you may not have?

A A lot of our loan files back then didn't have, like I said, didn't have nothing but a signed note, and maybe if there was a mortgage involved, there was a mortgage, but, you know, that was it. No credit reports, no -- of course, no financial statements, no tax returns, the list goes on, if you want to hear some more.

Q No, I think that'll cover that.

Let me ask you this question. Do you recall hearing or being told that the Clintons had refused to provide any documents that the bank



required?

A No.

Q Okay. So --

A Hell, we didn't require it then.

Q So any documents that were missing, though, I guess would have been not because of a refusal by the Clintons to provide anything, but just an omission by the bank to request certain types of documents; is that fair to say?

A That's fair to say. Hell, we was banking. We wasn't into document business back then. We were loaning money. We had the note and just sign, that was the main ingredient.

Q All right. And you also mentioned here, you know, with respect to current scrutiny of banking laws, there have been a lot of changes in the banking laws since the early 1980s; isn't that fair to say?

A That's very fair to say. That's right at the beginning, it's really started changing in '80.

Q And I guess FOREA, I guess for example, in 1989 really made a dramatic change in banking laws across the board; is that a fair statement?

A Yes.
Q Okay. And part of those changes were due to the fact that some S&Ls lost quite a bit of money in the mid and late '80s; is that fair?
A Yes, I think. I don't know what the dates are when the butcher boys, some of the Bush clan, that was later I suppose. You don't hear too much about that. Now, they changed all of our ways of living.
Q Certainly Mr. D'Amato won't raise the Bush Silverado.
A I don't think I heard O'Neil's buddy's name brought up. Not what I've been watching anyway.
Q I bet it'll stay that way too.
Anyway, let me get you back to this though. The changes in the banking laws, I take it we're not going to go and hold the Clintons retroactively to a standard that may exist now that didn't exist at that time?
A That is correct.
Q Okay.
A I doubt me ever saying scrutiny. I barely



can say it. I sure couldn't spell it.
Q I guess the article doesn't put it in quotes at all either. So I guess we can say it was --
A I'm doubting that's the way it was.
Q With respect to Mr. Jackson's criticism of the bank, my understanding is that Mrs. Clintons loan was repaid in 1983. This letter that you sent to Mr. Jackson is dated June 1984.
Do you recall when you first heard complaints or concerns from Mr. Jackson?
A No, it was after FDIC gave us just a bad exam.
Q Do you recall if Mrs. Clintons loan was singled out by Mr. Jackson at all?
A Not that I remember.
Q When you initially gave this loan to Mrs. Clinton, do you recall giving her any type of special terms? I notice it's a 20 percent interest rate. Were you cutting her a break there?
A We were going to give her a special deal. I don't remember any -- no, no special term, nothing

special, nothing.
Q Okay. And was $30,000 an unusually large amount for your bank?
A Not then, no. I believe it was 30,000. McDougal filled in with pencil.
Q Now, it looks like the loan was due in a year, a one-year type of loan.
A Yes.
Q Was that -- my understanding is that's routinely done in Arkansas lending practice?
A Probably. At that time 90 percent or more of our loans were demand notes.
Q Okay. And that's to address --
A Probably 90 percent or probably more than that at that time were strictly term notes or demand notes, no payments, just one term.
Q And that's to address the usery law?
A Yes. It was part of it, and part of it was taking -- and we still do. We stay pretty shortterm here so we don't wind up like the S&Ls.
Q So the fact that this was a one-year note for a 30,000 at a 20 percent interest rate, again was



nothing unusual back in December of 1980?
A No. Like I said, I'm sure all of it -- whatever was going right was and we still do the same today, discount plus 5. Now, of course, we have some federal overrides didn't back then, but we still charge the limit, which is 10 today, in case you boys are needing any.
MR. IVEY: I may be done. Give me a chance to look through my notes for a moment, if you would.
(Pause.)
MR. IVEY: I don't have any other questions at this time. Thanks very much for your time, sir.
EXAMINATION (Continued)
BY MR. BARTOLOMUCCI:
Q Mr. Bunch, this is Chris again. I just have a few follow-ups for you. We're almost done here.
A Good.
Q With respect to the documents that the bank has about the payment of the bill in 1984, do you have a sense of about how many pages of documents those are?

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A Two, three, four pages. Half a dozen maybe.
Q Okay. And those documents are back at Madison Bank?
A Yes, at the main bank, yes. We're at the branch here in Huntsville.
Q Okay. Other than minutes and general ledgers, are there any other types of documents among those documents?
A No.
Q All right. Now, Mr. Ivey read to you from a bill dated 1981, and then he read to you from a letter written by Mr. Glorior in 1983. Do you remember that?
A I remember him reading it.
Q Yes. My question is, you've never seen those documents yourself, have you?
A No.
Q Okay. So when you were answering questions about them, they were just based upon, you know, what you were hearing from Mr. Ivey?
A That's true.

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Q Okay. If Mr. Glorior of the Rose law firm sent a bill to Mr. McDougal in 1983, is it safe to say that bill wasn't paid?
A I don't know, because I don't know what bills could have been incurred down there.
Q Well, I guess that's part of the problem with you not having a copy of it yourself.
A Well, I'm familiar with it, the one bill -- well, actually there was two, the first one we paid for -- when we filed the suit; the second one for the appeal that I've seen Mr. Starr's people had and showed me a copy of, and which was approximately the 5800. That's all I'm familiar with.
Q Now, if Mr. McDougal was sent a bill for 5800 in 1983, that wasn't paid, was it, since you had this business in 1984?
A Obviously no. It probably wasn't paid until 1984, no.
Q Now, with respect to these board minutes that you've seen in 1984, do you remember whether they reflect that Jim McDougal was there?
A I don't remember. I don't even know if we

found the minutes down there or if they told who was there.
Q So those minutes might not record who was present?
A I don't know if they do or not.
Q Well, Mr. McDougal was the chairman of the board at that time; right?
A He was probably there. He usually attended board meetings.
Q He regularly attended meetings?
A Yes.
Q If he didn't attend, would he have been informed about what the board did?
A Sure.
Q Could the board take any action without his concurrence?
A Yes.
Q Was that a yes?
A Yes.
Q So the board might have acted, but he would have had -- he would have learned about it?
A Sure.



Q Okay.
A Like I said, I'm sure he was there.
Q Now, it was your testimony that it was your understanding that the $5,000 was paid in satisfaction of the entire debt even though the bill might have been several hundred dollars higher than that?
A Obviously it was several hundred, yes, but they were willing to take payment in full.
Q Okay. So am I correct that it's your understanding that was to end the matter and there would be no remaining debt?
A Correct.
Q Can you think of any reason why, you know, after a couple of years, you would decide to pay $5,000 and then hold out on the extra 894?
A Hell, yes, it was $800.
Q So you think it's possible that you might have decided to cut them a check for 5,000, and then hold out on 900 bucks?
A Think what? I mean, you know, we've talked about this a dozen times. Yes, I mean all we did was

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make 800 -- saved 800 and paid the 5.
Q Well, I'll tell you exactly what I'm getting at. It seems like there are two possibilities here; either you paid 5,000 dollars in order to extinguish the entire debt --
A Correct.
Q Well, I think --
A That's my understanding of what we did. And I explained that a while ago why it's my understanding is. I've never been shown a bill where they billed us for the balance, so obviously they must have settled for it.
Q And you can't think of any reason or can you think of a reason why you might have paid 5,000 and simply not paid 894? Does that make any sense that you would do that?
A No, it makes sense about if I tendered 5,000 and saved 900. Water that was already under the bridge, it's like charging on a gas line and groceries; when you didn't burn it, you're not in too big of a hurry to pay it.
Q I have one more question about the letter

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you wrote to Marlin Jackson and the attached chart.
A Okay.
Q The one that says that Hillary's loan was to be paid within 60 days. Okay. You got that?
A Yes.
Q That would have been 60 days within when?
A To be paid within 60 days of this report, which was dated -- this report looks like it was from April 4 to June 5, '84.
Q It's your understanding that the loan was paid off in 1983.
A Somebody might have dated this.
Q Do you see up in the right-hand corner, it says June 27th, '83?
A Yes, I believe that's -- June 27 is the date of the exam. September -- the date of this report, September the 19th, 1983.
Q Okay. That was the initial date. And then someone apparently used a document again and wrote in some later dates; is that what happened?
A That's what it looks to be, yes, because everything else is typed in.

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Q Okay. So I guess my question is, was Mrs. Clinton's note to be paid off within 60 days of June or September or some other date?
A September I would assume.
Q Okay. Just the last question I have is that you're going to gather up all these documents and send them back to me; right?
A Yeah. That was my next question, what if I sign this damn thing or wherever it is, this privacy deal --
Q The confidentiality agreement?
A Yes. You want all this stuff back, is that what I've got to do?
Q Yeah, that's right.
A That's fine. I ain't got a problem with that.
Q Okay. And you can send it to the -- I think there's an address provided on the transmittal letter.
MR. BARTOLOMUCCI: Off the record.
(Discussion off the record.)
MR. BARTOLOMUCCI: Mr. Bunch, thank you for

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your time. And we're finished here.
THE WITNESS: Okay. You all have a good weekend.
MR. IVEY: We'll see you next week.
THE WITNESS: Okay, sounds good.
MR. IVEY: By the way, were you told earlier that you can review your deposition four days in advance of testifying?
MR. CAIN: No, we were not.
THE WITNESS: No, I don't believe so.
MR. IVEY: My understanding is that there's a good chance you'll be a witness. The Republicans make the final call obviously, because they run the show here.
But in the event that you are notified you're going to be a witness, you have the right to review your deposition in advance of your testimony.
THE WITNESS: Do I have a right to my attorney also?
MR. BARTOLOMUCCI: You can certainly bring him, but the Senate won't pay his costs.
THE WITNESS: If I can't bring my attorney,

I might be hard to find. I've got all kinds of inspections to do. I'm pretty high on documentation in this country now.

MR. IVEY: Off the record.

(Whereupon, at 6:35 p.m., the deposition was concluded.)

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GARY W. BUNCH

CERTIFICATE OF NOTARY PUBLIC & REPORTER 116

I, CINDY L. SEBO, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Notary Public in and for the
District of Columbia

My Commission Expires FEBRUARY 14, 2000

# DEPOSITION OF RON A. PROCTOR
# IN RE: S. RES. 120

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**THURSDAY, MAY 2, 1996**

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER
DEVELOPMENT CORPORATION AND RELATED MATTERS,
*Washington, DC.*

Deposition of RON A. PROCTOR, called for examination pursuant to notice of deposition, at 5:00 p.m. in Room 534 of the Dirksen Senate Office Building, before DAVID L. HOFFMAN, a Notary Public within and for the District of Columbia, when were present:

**APPEARANCES**

DOUGLAS R. NAPPI, ESQ.
Majority Counsel
JAMES S. PORTNOY, ESQ.
Minority Associate Special Counsel
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Building
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On behalf of the Committee.

MURRAY J. BELMAN, ESQ.
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Washington, DC 20005
On behalf of the Deponent.

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PROCEEDINGS

MR. NAPPI: Let's go on the record.

This deposition is being conducted pursuant to Senate Resolution 120. This resolution establishes a special committee administered by the Banking Committee to conduct an investigation involving Whitewater Development Corporation and related matters.

Section 1(b) of Senate Resolution 120 authorizes investigation and public hearings into, amongst other issues, the activities, investments, and tax liability of Whitewater Development Corporation, and as related to Whitewater Development Corporation, of its officers, directors, and shareholders.

This will be the focus of today's deposition.

As I told Mr. Proctor off the record, it appears that he will be called to testify next Wednesday. The deposition of course is in advance of those public hearings.

We will ask a series of questions. You

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will testify under oath. If you don't understand a question, let me know and I will rephrase. If you need a break, please let me know.

The stenographer will prepare a record of questions and answers. The depositions will be treated as committee confidential until the commencement of the hearings.

Prior to the hearings, you will receive a letter from the committee telling you that you may come to the Senate to review your transcript and make note of any corrections for transcription on an errata sheet.

If you are called to testify at a public hearing, you will be permitted to have a copy of your deposition in advance of your testimony.

You may be represented by counsel. Objections to form of questions will be noted for the record. Counsel may object on grounds of privilege or relevance. The committee chairman may rule on objections where the witness refuses to answer a question.

Please swear in the witness.

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Whereupon,

RON A. PROCTOR

was called as a witness and, having been first duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. NAPPI:

Q Please state your name for the record.

A Ron Proctor.

Q Are you represented by counsel today?

A Yes, I am.

MR. NAPPI: Will counsel please identify himself?

MR. BELMAN: I'm Murray Belman from Thompson & Mitchell.

BY MR. NAPPI:

Q Your present business address?

A 4th and Main Streets, Flippin, Arkansas.

Q You're employed by Mercantile Bank of North Central Arkansas?

A This is correct.

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Q How long have you been employed at Mercantile Bank?
A What is now Mercantile Bank, I've been employed there 14.5 years.
Q Could you elaborate on that, give us your employment history?
A The bank, when I first started in November of 1981, was Citizens Bank and Trust Company, a locally owned, community owned bank, stockholder owned. It became a national bank, and part of the TC Bankshares, in 1986.

In 1995, it was purchased along with TC Bankshare by Mercantile Bank of St. Louis, Missouri.
Q When did you begin employment at Citizens Bank?
A In November 1981.
Q In November 1981, did you speak to anyone other than counsel prior to your deposition regarding your testimony?
A Well, I've talked to a lot of different people about this within the bank, but no other legal counsel.

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Q Since being apprised that you would be called for this deposition, have you discussed your testimony with anyone?

MR. BELMAN: I think you ought to clarify. The fact that he's testified -- since he's known he's going to testify, he's told a lot of people. You mean the substance of his testimony?

BY MR. NAPPI:
Q I meant what you had actually testified to?
A No. As far as the details, no. Of course, coming to Washington, D.C., and you're going to tell a lot of people, "I'm going to Washington." "Why?" Even people on the airplane. But no, not the details.
Q Okay.

MR. PORTNOY: Off the record.

(Discussion off the record.)

MR. NAPPI: Back on the record.

BY MR. NAPPI:
Q You came to be employed at Citizens Bank in 1981?

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A Correct.
Q Do you recall the month?
A November.
Q November of '81. Was this your first job in the banking industry?
A Yes.
Q What position did you have?
A I was a management trainee.
Q How long were you a management trainee.
A Until seven months after that, so approximately June of 1982.
Q What position did you --
A At that time, I held the position of a loan officer.
Q Were you an officer of the bank?
A Not an executive officer, but an officer.
Q Did you come to be an executive officer of the bank?
A Yes. In 1986, maybe '87, the latter part of '86 or early '87, I became vice president of the bank. I was promoted to vice president by the board.
Q So by that time, the bank was known as

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First Ozark and was part of TC?
A First Ozark, yes, sir.
MR. PORTNOY: When precisely did that occur, sir?
THE WITNESS: 1986.
MR. PORTNOY: So it became First Ozark when it was taken over by TC?
THE WITNESS: Yes, within a couple of months after this.
MR. PORTNOY: Thank you. Sorry.
MR. NAPPI: No problem.
BY MR. NAPPI:
Q Why don't you just give us the progression of promotions from that point on, in '86?
A The only promotion -- in this size of a bank, there's only one other promotion, actually two promotions you can receive. Vice president goes to senior vice president, which I am. I'm senior vice president now. And that was approximately in 1992, when I was promoted to senior vice president.
The next step would be executive vice president, which our bank does not have because of

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its size. So the next would be president of the bank, would be the next promotion.

Q As a loan officer in the bank, say starting from June of '82, did you have responsibility for specific types of loans, commercial real estate?

A I started off with handling primarily installment loans, personal loans, then went to -- because of necessity, started handling every kind of loan, real estate, small commercial. I'd say the majority of my loans I handled during that timeframe was installment loans, personal loans.

Q When did it change?

A It gradually changed as my experience level changed. Probably 1984 would probably be about the time that I started handling larger commercial loans.

Q Do you know if Citizens Bank had a loan outstanding to Whitewater Development Corporation?

A Yes.

Q Or prior to that, to individuals?

A Probably from the time I went into the

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lending department in 1982, I found out about it shortly thereafter.

Q So while you were still working on installment loans?

A Yes.

Q Do you recall how you found out that bank held the loan that I guess is now commonly referred to as the Whitewater loan?

A It could have been from many different things. Probably one of the first things I did when I came into the lending department was review all of our loans to get acquainted with that portfolio. So I saw it when I reviewed the loans.

I'm sure that was 13-14.5 years ago, so I don't know exactly how I heard about it. But that's probably where I saw it. Then probably someone told me that that was the governor's -- you know, the governor signed on that. So I remembered that better than I would most loans.

Q So when you were reviewing the loan files, you picked up on the fact that it was a loan to the governor?

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A Right.
Q Did there come a time when you became responsible for the Whitewater loan?
A Yes. In approximately 1983, probably, I was thrown in as pretty much the division manager of lending at a very early age. So again, by default, I took over the loan.
Q Do you recall the first renewal or extension of that loan that you were involved in?
A I can't remember the specifics, no.
Q Who was responsible for that loan prior to then?
A I'm not sure. It was one of two people. It was either Bob Ritter, who was the president of the bank at that time, or George Myers. George was the senior lender at the bank. When he left, I became senior lender.
Q When you became responsible for the loan, how did that work? Did someone sit down with you and walk you through the file?
A No. The files I took over, I just reviewed them. And whenever they would come up for

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renewal, of course it was so I would be somewhat acquainted with the loan.
Q What was your hands-on experience with the loan? Was it something that required attention?
A Not really, no. It was one that was set up on a short-term, single pay loan. So the only time I would really ever think about the loan or deal with it was when it came due for renewal.
I say "due for renewal." Single pay loans of that nature are very often renewed. I just anticipated that they wouldn't pay it off, that it would be renewed.
Q At that time, 1983, were you responsible for other commercial real estate loans, like real estate development loans in the local area?
A There really wasn't any. The bank had not been really strong in the real estate, the subdivision type lending. So there wasn't that many there.
Q Was there a lot of subdivision lending going on in Marion County?
A No.

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Q Were you the individual at the bank who was responsible for confirming that payments came in on time?
A Yes.
Q Do you recall any problems obtaining payments?
A No, not during the time period of 1983, because, again, the loans were set up on a single pay with no interest due. And the only time that there was dealing with it was when it matured. So I would say no.
Q When it matured, typically there were not principle paid notes in that time period; is that correct?
A Sometimes there were and sometimes there weren't. It appeared that when we would ask for principle payments, that we would receive the payments. But if we didn't ask, then just normally interest was paid.
Q Was that standard on these types of loans?
A At this period in the bank, I would say definitely yes.

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Q Why do you say at this period?
A Banking changed a whole lot from the time I first got into banking in 1981 to the way banking was in 1986, or especially the way banking is today, 10 years later.

Loans in the middle '70s were made basically on collateral and character only. And now the pendulum has swung almost to the opposite direction. It's capacity only. Cash flow is king, as they say, at Mercantile Bank. That's the difference.

So back then we looked at character of the individuals and the collateral, and that it made it a good loan.

Q I'm going to ask you to take a look at a series of documents that are various transactional records relating to primarily this loan, or extension or modification agreements.

(Handing document to witness.)

BY MR. NAPPI:

Q Can you just thumb through it, and tell me when you see the first renewal that you recall? I

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think that first page is actually a note, isn't it?
A Well, the first page, I'll say, is dated August 2nd, 1978. So it was before my time with the bank. So I'm not that familiar that much with this particular document. I know this is a copy of a note, or appears to be a copy of the note, from our loan files.
(Pause.)
Q You can thumb through it. I was just interested in trying to pinpoint when you became the principal. What extension was the first extension you worked on?
MR. BELMAN: Could I just ask, are we seeing a set of all the loan documents? Is that it?
MR. NAPPI: All the loan documents that I had available to me.
MR. BELMAN: So if he goes through it and spies something, it will be the first one that exists?
MR. NAPPI: Yes.
MR. BELMAN: I just wanted to make sure what we've got here.

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(Pause.)
(Discussion off the record.)
THE WITNESS: This would be the first modification or renewal of the loan that I personally handled. That is my signature on there, as assistant vice president, at the time. The note had been paid down to the amount of approximately $119,000 -- $128,075.
MR. PORTNOY: So when you say this is the first extension you handled, could you state the date of the document?
THE WITNESS: Yes. The date of the document is the 14th day of October, 1983.
MR. BELMAN: I guess that answers your question.
MR. NAPPI: Yes.
MR. PORTNOY: I was just trying to get a sense of whether you'd worked on any of the others in any capacity?
THE WITNESS: No.
BY MR. NAPPI:
Q In 1983, do you recall who was your

contact person for this loan?
A Normally it was Susan McDougal.
Q You say normally. Did that ever vary?
A It did later on in the loan. I dealt with Hillary Clinton.
Q Do you recall when you started dealing with Hillary Clinton?
A Not the exact time, but approximately 1990. There are some records that would show that date, but approximately 1990.
Q Did you deal exclusively with Susan McDougal?
A No. I was trying to think if Jim McDougal ever talked with me. And I can't recall if he did. I am fairly certain that Susan McDougal and Hillary Clinton were the only ones I dealt with personally on the phone.
Q So you don't believe you ever talked to then-Governor Clinton about the loan?
A No, I did not. I am positive I never talked with Governor Clinton.
Q Have you ever met Governor Clinton?



A Yes, probably on three different occasions.
Q The first document is an August 6th, 1979 letter on the letterhead of Citizens Bank and Trust, signed by Frank Burge.
(Handing document to witness.)
BY MR. NAPPI:
Q Do you recall ever seeing this letter?
A Yes, I've seen it in the file when I reviewed it.
Q Did you ever discuss with any of the borrowers the 10 percent principle reduction that is referenced in this letter?
A No.
Q Was it your experience that the principle was reduced -- strike that.
(Pause.)
When you took over the Whitewater loan, was it still subject to a participation agreement?
A No.
Q It was not. Do you know if, prior to your involvement with the loan, it was subject to a

participation agreement?
A Yes.
Q Do you know the bank that had the participation agreement?
A Union National Bank in Little Rock.
Q Do you know what happened to their participation?
A No.
Q But you do know that by the time you took over the loan, they had been paid off?
A Right.
(Pause.)
Q I'd like you to look at a record that is marked with the handwritten notation D84 in the right-hand corner. It's entitled Discount Committee, Citizen Bank and Trust Company. It's dated October 20, 1982.
(Handing document to witness.)
MR. PORTNOY: These are minutes, correct?
MR. NAPPI: Yes.
BY MR. NAPPI:
Q Have you seen this record before?



A Yes.
Q Do you recall when you saw it?
A I would have probably seen the committee minutes at the next committee meeting. We would review the minutes after every -- at the next meeting, so probably somewhere in November 1982.
Q What was the discount committee?
A It's a meeting consisting of directors and officers of the bank that discuss the approval of loans over a stated limit. Normally, a bank our size, anything over $75,000 to $100,000 would go to this type of committee.
Q Did it differ in any respect from the loan committee?
A No. It is a loan committee.
Q And at this point in time, October 1982, it was comprised of officers and directors?
A Yes.
Q So there wasn't an officer loan committee, and then a directors loan committee?
A Yes, there was at that time. The officers committee would see loans up to a certain amount,

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normally $75,000 at that time. Anything over $75,000, the officers and directors committee, or the discount committee as it was referred to then -- it has since been changed. Loans used to be called discounts, is the reason why. That's the reason they call it the discount committee another word for a loan committee.

Q Do you recall this meeting?

A No. I've attended hundreds of loan committee meetings, and I could not recall that particular one.

Q There's reference in this record to collateral, and one item mentioned in collateral is assignment of escrow accounts.

A Yes.

Q What can you tell us about that? Why was there assignment on the escrow accounts taken?

A The land was sold on contracts, with a down payment and so much per month in a monthly payment. Those payments were assigned to be applied to the loan -- very common in the subdivision business. If you want to sell on a contract, you

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take an assignment of contracts.

Q But initially, there was not an assignment of contracts taken initially?

A It was my understanding -- and I'm not aware of it because I did not make the recent loan. But it was my understanding that that loan also had included assignment of contracts, and it was just restating of collateral in these minutes. We were going to continue with the assignment of contracts. That was part of collateral.

Q So that was your understanding?

A Correct.

Q Do you recall who told you that?

A No, that's just from reviewing the loan file.

(Pause.)

Q The next item I'd like you to review is a Citizens Bank and Trust letter of October 5th, 1983. You appear to be the signatory. It's been marked with the Bates stamp number DKRT 700422.

(Handing document to witness.)

BY MR. NAPPI:

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Q Would you just take a look at this copy?
(Pause.)
Did you write this letter?
A Yes, I did.
Q Do you recall this conversation? Actually we weren't a party to the conversation.
Do you recall the source of the $19,000 payment, or $19,593.83 payment referred to?
A Well, there's not a payment made yet. That was the principle payoff or the principle amount. So I would answer that, no. I don't know where the money came from. I can't even recall. I know the loan was paid off, but I don't even know if they paid it off from my letter.
Q In the last paragraph, there was a mention of the need for individual financial statements.
A Right.
Q Do you recall having difficulty obtaining financial statements?
A Yes. I had difficulty obtaining financial statements during this time from almost everybody because people were used to being good old boys that

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provided -- I mean, it was very usual for people not to want to see any financial statements at that time in a small country bank where character was king.
Q Yet these borrowers weren't local individuals, were they?
A No, they weren't. But we were accustomed to that because of dealing with local individuals.
Q With respect to just this loan -- I'm just talking about the Whitewater loan -- was it your experience in managing this loan that you had difficulty obtaining financial statements?
A Yes.
Q Was it a recurring difficulty?
A At every anniversary date where we would do one, yes.
Q Did you have that difficulty with respect to the McDougals?
A Yes.
Q And with respect to the Clintons?
A Yes.
Q Can you quantify who was more difficult to obtain financials from?

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MR. BELMAN: I think that's a tough question for you to pose.

MR. NAPPI: I'll get at it another way.

BY MR. NAPPI:

Q Who would you contact to obtain financial statements from the Clintons?

A If I recollect, it was normally Mrs. McDougal.

Q Normally Mrs. McDougal? Do you recall any instances where you contacted the Clintons directly?

A I would say that I sometimes would send a letter to possibly Mr. and Mrs. McDougal, or maybe Mr. McDougal, like I did in that letter. But as far as conversations, telephone conversations, it would be with Susan.

Q Do you recall having any telephone conversations or any contact with Mrs. Clinton prior to -- you said you guessed that it was around 1990 when she became the principle contact person?

A I had never spoken with her. I'd never met her or spoken with her before approximately that 1990 conversation.

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Q Was that because she was the Governor's wife and Mr. Strange as bank president would handle contacts with her?

A No, I don't think so. I think it was just the fact that she wasn't really involved in the loan until about that time. And it just happened that she called the bank and started talking with Mr. Strange -- probably asked for the president of the bank at that time, because I was unacquainted with her.

MR. PORTNOY: So when you say she wasn't really involved in the loan until about that time, did you mean by 1990?

THE WITNESS: Yes, involved in the management of the loan. It didn't appear she was. I'd never heard from her.

BY MR. NAPPI:

Q The next record I'd like you to look at is a commercial loan application. It's dated 10/5/83. You are designated as the officer.

(Handing document to witness.)

THE WITNESS: Okay.

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BY MR. NAPPI:
Q Have you seen this record before?
A Yes, I have.
Q In the right-hand corner, it says, "most recent financial statement date." It says 8/30/81.
A Yes.
Q And it says, "receiving new financial statement before renewing loan." And the most recent financial statement was August 30, '81. So over two years had elapsed at this point in time since you received a financial statement.
Is it a customary practice to get financial statements more frequently than that on a commercial real estate loan like this?
A Annually, yes.
Q Did you ever make inquiry with anybody at the bank as to why they had not received financial statements?
A No. Like I said, it was not uncommon for the local people not to provide financial statements. So I was not surprised that there were not current financial statements on someone I perceived at that

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early age to be busy being governor of the state.
Q You talk about the governor. At this point in time, who was the deep pockets that you were looking to as the ultimate guarantor of payments on this loan?
A At this time, the McDougals.
Q In the left column there's a description and valuation of collateral.
A Yes.
Q Did you prepare that valuation?
A Yes. Well, I did not prepare the valuation. I summarized it there. This was done from information that was in the file.
Q Do you recall obtaining financial statements in connection with this renewal?
A At approximately this time we obtained financial statements, yes.
Q The next record I'd like you to look at is a financial statement for Whitewater Development Corporation that's dated October 13, 1983.
Now, by this time, Whitewater had become the borrower on the loan, right?

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A Correct.
Q And the Clintons and McDougals were just being looked to as guarantors?
A Cosigners, I believe. They may be guarantors. It fluctuates. Sometimes it was guarantors. Sometimes it was cosigners.
Q What's the distinction?
A I haven't yet in the banking business really found any distinction between co-borrowers or guarantors. But in bankruptcy, there are some.
Q Is there any reason why it fluctuated from time to time?
A Just lender's preference. Sometimes it's easier to get separate guaranty forms signed than it is to get the notes signed. So it just depends. It's for convenience, mostly.
Q You weren't motivated by concerns about repayment?
A No. That definitely wasn't it.
Q All right. If you could just take a look at this.
MR. BELMAN: Maybe we could identify it

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for the record.
MR. NAPPI: I did not?
MR. BELMAN: No.
MR. NAPPI: I'm sorry.
MR. BELMAN: You said it's a financial statement of Whitewater Development, October 13.
I'm sorry. You did. And I apologize. I've got it written down.
MR. NAPPI: It's getting late. I understand.
(Pause.)
BY MR. NAPPI:
Q As you read that, there are assets listed for the corporation. Land is listed at a fair market value, $220,000. To be completely accurate, $220,550. Notes receivable and cash, or dealer items listed as assets. Compare it to this document, which is fairly contemporaneous, separated by a week, I believe.
MR. BELMAN: The document you're being asked to compare this to is the previous document dated October 5, 1983, a loan application.

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MR. PORTNOY: Can we establish whether Mr. Proctor knows who prepared the Whitewater financial statement?

THE WITNESS: No.

MR. PORTNOY: You don't know?

THE WITNESS: At this time we were not required to get people to sign their financial statements. Of course, now it's common practice. But we don't know who.

MR. PORTNOY: But you prepared the document to which you're comparing the financial statement?

THE WITNESS: I utilized an existing appraisal in the files to put on here to compare.

I was going to make the statement that this is very typical. When a person's financial statement exceeds the actual value of what we value the property at, we figure the acreage -- they're figuring 220. We figure there's 183. Escrow contracts at 130. They're figuring 113. Actually the difference between the 77 and the 130 is really what we're figuring. The value is there. So it's

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worth $60,000 compared to their $150,000.

BY MR. NAPPI:

Q As part of your management of this loan, did you go out to the site and eyeball it?

A Yes, I did. Not at that particular time. I was relying on the existing officer's knowledge of the property. After those officers left, then I went out and personally looked at the property.

Q When was that, starting when?

A I can't recall the exact date -- '87.

Q Who was the officer who did it before you?

A Robert Ritter.

Q Do you recall when he left the bank?

A Yes. It was at the end of 1983, the beginning of '84, somewhere around then.

Q So he left in '83 or '84, and you started making eyeball appraisals, if you will, or visits out to the property in '87?

A Right.

Q Did anyone do anything in the intervening time period?

A Probably not.

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Q Do you recall a time when Chris Wade purchased or traded for some of the parcels of Whitewater?
A I remember that very well.
Q Can you walk us through what happened?
A After the loan was paid down to a relatively low level, $50,000 or so, Mr. Wade come in to see me and said that he wanted to assume the debt. He showed me a document that he had purchased the land, made a trade of an airplane for the land, along with some cash, and said, "Now, I want to take on responsibility for the debt."
My reaction to that -- and I've dealt with Chris Wade for many years -- was that, I'm proud that you purchased it because I really thought he would get them sold quicker because he was managing them there locally. But there's no way that anybody would be released from liability on the loan until the loan was paid in full.
Now, that came as somewhat of a disappointment to Mr. Wade.
Q Why was that?

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A Because I think -- now I shouldn't say I think. My feeling was --
MR. BELMAN: Do you know?
THE WITNESS: No. I should not say that.
MR. BELMAN: That's your answer.
BY MR. NAPPI:
Q So Wade wanted to assume the liability?
A Yes.
Q And of course, being a prudent banker, you wanted to keep as many sources of repayment --
A Oh, sure. I was at this point -- just had the loan where I liked it. It was paid down to a level that I was comfortable with. The escrows were amortizing payments. So it was now what I considered to be, you know, we worked through the hard times during the early part of the loan when it was a large amount and lot sales were slow.
Now we had it just where we wanted it, and I was going to keep it that way. I wasn't going to mess up the loan. It was good and safe at that point.
Q You said lot sales had been slow. I take

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the business plan initially had been to sell individual lots on a contract for deed?
A Correct.
MR. BELMAN: Do you know the answer to that question?
THE WITNESS: Yes, based upon reading from the file. Yes, that would be correct.
MR. BELMAN: Could I just interject one thing about this? When you talk about Chris Wade, I don't think you put in a date. I'd just ask if you know when that was?
THE WITNESS: That would have been the late '80s.
MR. NAPPI: Wait. I can perhaps provide a date.
THE WITNESS: '89.
BY MR. NAPPI:
Q I was talking about the transaction in which Mr. Wade transferred the airplane to Mr. McDougal?
A That was the one I was referring to also. It was '88 or '89.

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MR. NAPPI: Actually, my chronology shows May of '95.
MR. BELMAN: I think in fairness to the witness, if you've got a document there, why don't you show him the document so he can refresh his recollection if he needs to?
MR. NAPPI: I'll probably come back to that.
MR. BELMAN: Well, you did it. Why don't we tidy this part up? I'm a little concerned about leaving loose ends all over this transcript.
MR. PORTNOY: Off the record.
(Discussion off the record.)
MR. NAPPI: I'd like the witness to take a look at a security release agreement dated May 4, 1985.
(Handing document to witness.)
THE WITNESS: Time is definitely slipping by.
BY MR. NAPPI:
Q It goes faster every day.
A Gosh, I would have sworn this was just a

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few years ago. It's been 11 years.
Was your question, did you want me to identify the document?
MR. BELMAN: Well, I think Mr. Nappi was showing you the document in order to see whether that refreshes your recollection about when the transaction that you talked about, when the conversation you talked about with Mr. Wade occurred.
THE WITNESS: Yes.
MR. BELMAN: I take it you now think that occurred sometime around May 1985?
THE WITNESS: Yes.
MR. PORTNOY: If I could clarify, does this document actually refresh your recollection, or are you saying that you have no reason to dispute the accuracy of the document?
THE WITNESS: No. It refreshes my recollection. That was definitely the year.
BY MR. NAPPI:
Q As you recall, was this a conveyance to Wade of the remaining lots at Whitewater?
A Yes, subject to our mortgage.

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Q So the Whitewater Development Corporation, in some capacity, the Clintons and McDougals were made liable for default on the mortgage?
A Yes.
MR. BELMAN: Did you say remained?
MR. NAPPI: Remained.
BY MR. NAPPI:
Q The assets had been transferred or traded to Mr. Wade for another asset?
A Right.
Q Were you surprised at the valuation of the land in this transaction?
A I don't think so.
Q So that is your sense of what these lots, the value that these lots had?
A Because I really didn't know what the value of the airplane was. I know there was some cash involved, and then the airplane -- not being an expert on the airplane, I said, "Gosh, it must be a nice airplane."
Q Did it surprise you that Whitewater had moved from marketing a contract for deed lots to, in

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essence, doing the bulk sale of its remaining lots for cash?

A No. It didn't surprise me, because I know from visiting with Mr. Wade that they really had an interest in getting it resolved, getting it closed out. Wade, I think, was trying to take care of them on that issue by doing this.

Q What do you mean by take care of them?

A Getting them out of dealing with that. He felt that the McDougals, and the Clintons for that matter -- again, I only talked about Mrs. Clinton, and I hadn't talked to her at that point. But my perception is that they wanted out. After being in a subdivision development for 10 years, anybody would want to be out.

Q Is it strange for this kind of subdivision to take that long?

A Yes, very much so. Most of the time, three to five years is your period of time on a subdivision, at the most.

Q Do you know why this subdivision took so much longer?

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MR. BELMAN: This witness is not in the business of handling subdivisions, or didn't follow this particular subdivision.

BY MR. NAPPI:

Q Did anyone involved in the Whitewater Development Corporation ever express to you their view on why the subdivision was not moving?

A No.

MR. BELMAN: We've been going an hour. Do you want to take a break for a few minutes?

MR. NAPPI: Off the record.

(Discussion off the record.)

(Recess.)

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(6:00 p.m.)
MR. NAPPI: Let's go back on the record.
BY MR. NAPPI:
Q Mr. Proctor, I'd like you to take a look at another record. I won't even begin to try to describe it. But in the right-hand corner it has the notation D-212, and some handwritten notations on the page itself.
(Handing document to witness.)
BY MR. NAPPI:
Q Can you identify this record?
A This is a summary of the lots that had been released, and how much that was remaining as of the dates -- it looks like 11/1 of '84.
Q Actually there are dates later on.
A Oh, yes, for lots that were released.
Q Did you prepare this record?
A This is all my preparation, down to the lot 41 release date. That's someone else's.
Q Can you identify that handwriting?
A Yes. Because of the initial here, that's Barbara Carson's handwriting. Barbara was a loan

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clerk at our bank at that time.
Q Do you recall -- the part of this record at least that you prepared, do you recall the purpose?
A Collateral analysis.
Q Was it prompted by any concern about the value of the collateral that you held at that time?
A No. This was normal.
Q What was the source of the valuation of $1,100 an acre, if I'm reading this correct?
A Appraised value, consistent with the original appraisal that was filed.
Q You stated you're not sure you ever had any dealings with Jim McDougal directly, to the best of your recollection?
A To the best of my recollection, yes.
Q During the time you managed the loan, did the payments for the loan come from the escrows exclusively?
A Not exclusively. But as I recall, most of it came from escrow debt, yes.
Q To the extent it did not, can you describe

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what the alternative sources of payment were?
A I really can't recall that.
Q Do you recall ever receiving any cash payments for interest and principle?
A No.
Q Any payments that you had any reason to believe were derived --
MR. PORTNOY: One second. When you say you don't recall receiving cash payments, do you positively recall that no cash payments were received?
THE WITNESS: No. We did not receive any cash payments, no.
BY MR. NAPPI:
Q Any payments that you had any reason to believe were derived from proceeds of Madison Guaranty Savings and Loan?
A I'd never heard of Madison Guaranty Savings and Loan.
Q Other than checks that may have been cut on someone's account that happened to be at Madison Guaranty?

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A No. The answer to your question is no.
Q If we could return for a moment to the transaction involving Chris Wade, the airplane for land swap, if you will.
You say you had discussions with Mr. Wade regarding the bank's financing of the property, and maybe changing the financing arrangement?
A Yes, I did.
Q Did you have any discussions with any of the principals of Whitewater Development Corporation?
A No, I did not.
Q At that point in time, did you have a sense that Whitewater was an unprofitable venture?
A No.
Q Did there ever come a time when you thought Whitewater was not a profitable business enterprise, when you came to learn that Whitewater was not a profitable enterprise?
A I really wasn't aware of whether it was or whether it wasn't, because my repayment source was the McDougals and Clintons. And I really at that point wasn't that concerned. It was well secured.

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Our payments were coming from the escrow contracts. Our backup payment was the four guarantors. I wasn't concerned.

Q Did you receive more payments directly from the McDougals than the Clintons?

A I don't know that.

MR. BELMAN: I didn't want to interrupt. When you asked that question, you characterized it as the airplane for land deal. I think the testimony was that it was airplane and some cash.

MR. NAPPI: And some cash, you're right.

BY MR. NAPPI:

Q I'd like to show you a record -- it's handwritten notes on stationery -- that says Hillary Rodham Clinton. It's Bates stamped number DKSN 029262.

(Handing document to witness.)

BY MR. NAPPI:

Q Do you recall ever having a conversation with Hillary Rodham Clinton in which you conveyed the information memorialized on this note?

A I can't recall.

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Q Did anyone ever approach you and say Mrs. Clinton is interested in some information on the Whitewater loan?

A No. Most of the time, Mrs. Clinton dealt with Mr. Strange, I would say. So I can't recall any conversation I've had with her.

(Pause.)

Q Before we move on, if we can just refocus. We've been dealing exclusively with the mortgage loan on the Whitewater property.

Were you aware of the source of the down payment for that loan?

A No. Besides what I've heard on the news and in the newspapers, not directly from the bank. I was not aware at that time that they had borrowed that money.

MR. PORTNOY: Do you know for a fact now that they borrowed that money?

THE WITNESS: No.

MR. PORTNOY: So you have no firsthand knowledge whatsoever?

THE WITNESS: No.

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BY MR. NAPPI:
Q At the time the loan was outstanding, particularly in your earlier years, before you got down to the point where you wanted the loan to be, would that have been a source of concern for you, that it was in essence 100 percent leveraged deal?
A Then, no. Now, yes. By the underwriting standards of today, I would have been concerned. At that time I would not have been because of the escrow payments and the cosigners on the loan, or the guarantors on the loan.
Q Were you the loan officer on the $20,000 loan? I guess it was still Citizens Bank.
A No. Bob Ritter, the president at that time, handled that loan. I handled the renewal of it, or the escrow to pay it off. But Bob Ritter handled the origination of that loan.
Q Was that a common practice at the bank, to provide additional credit to pay down overdue interest?
A At that time, I really can't say because I wasn't in charge of the loan department at that time.

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Now it would not be.
Q When you came to be in charge of the loan department, did you make loans like that?
A No.
Q So you did not feel it was a proper --
A Well, I wasn't there to know all the circumstances, so I really can't say.
Q I'm not asking you to guess why Mr. Ritter did it earlier. I'm just asking for your professional opinion as a banker.
MR. PORTNOY: I believe Mr. Proctor has testified that he has no knowledge of the circumstance. And in the absence of the full picture, I think he's reluctant to speculate.
MR. BELMAN: I'm just unclear as to what you're asking him. I think it would be helpful if there's some rule or regulation that prohibits this, and that's what I thought you were asking. And that's what I thought you were testifying about. That's one thing.
But if it's a question of whether, confronted with the same circumstances, he would have

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made the loan --
MR. NAPPI: I'm not talking about the circumstances.
MR. BELMAN: He doesn't know. So what is the question?
MR. NAPPI: I think he's answered my question.
MR. BELMAN: If he's answered your question, let's go on to the next question.
BY MR. NAPPI:
Q You have made an interest funding loan on a loan outstanding to your bank.
A Oh, I would say yes, I have. There are times when you will make a loan like that, acquire additional collateral, or refinance a small amount of interest into another loan.
Q But you would seek collateral?
A Yes, if the collateral margin was not strong. Of course, when you have a two-to-one collateral margin, you might not. There are occasions you would do that.
(Pause.)

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Q The next record I'd like to show you is marked D-149. It's entitled File Notes, Whitewater Development, Inc. Loan 585. It's dated 1/6/87.
(Handing document to witness.)
(Pause.)
THE WITNESS: Okay.
BY MR. NAPPI:
Q Do you recall preparing this?
A Yes.
Q Could you explain the circumstances?
A It was a renewal of the loan. As is very common, you make a collateral inspection at the renewal origination of the loan, especially you know, in a situation where you've got properties that are being constructed on, as in this case.
Q Was this the first such collateral inspection you'd done?
A It was the first one I had done.
Q On this piece of property?
A Right.
Q I'd like to direct your attention to the second page, the last paragraph. You value the lots

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at $750 per acre. Initially the lots had been valued, I believe, at $1,100 an acre.
A I believe that's correct, yes.
Q What do you attribute the devaluation to?
A Primarily from what I've said on the front because of the quality of homes and the lack of homes that had been built there when it was clean, and a new subdivision, I think $1,100 was a fair price or value.
After the mobile homes sprung up and a few other things, it devalued the property.
Q What were the other things?
A Trash, just general refuse.
Q You value the contracts receivable at $60,000 and change. I'll be more precise -- $60,786. I would take it that's a fairly easy evaluation to make. You just compile what's on the various contracts for deeds?
A Yes. Just take the outstanding balances.
Q And the remaining unsold property at $43,350?
A Yes.

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Q Was that remaining unsold property the property that had been transferred to Chris Wade?
A Partially, yes.
Q Do you recall whether Whitewater still owned some unsold lots at that point in time, or is that your recollection?
A I don't recall. I'm not sure.
Q Just so the record's clear, you're not sure who actually owned the remaining unsold property?
A No.
Now, I need to clarify that, too. The reason for that is that we were not -- it did not make any difference to me in this bank who owned it because I had the mortgages on the lands.
Q You had the right to go in and foreclose if need be?
A True.
Q The next record I'd like to show the witness, again it's a one-page record. It's a copy of notepaper that has printed on the top Hillary Rodham Clinton. It's personalized notepaper, and it

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contains handwritten notes. The Bates stamp number is DKRT 00294.

(Handing document to witness.)

MR. BELMAN: I think just for the record, you identified this as DKRT 00294. It's DKRT 700294.

BY MR. NAPPI:

Q Do you know a woman named Margaret Davenport?

A Yes, I do.

Q How do you know Margaret?

A Margaret was executive vice president at Twin City Bank up till a year or two ago.

Q Did you ever have any contact with Margaret Davenport regarding the Whitewater loan?

A No.

Q Did anyone at First Ozark ever tell you that they had had contact with Margaret Davenport regarding the Whitewater loan?

A No. It was my understanding that someone was going to speak with Margaret to help convey some information to Mrs. Clinton concerning the renewal of the loan.

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Q Who was that person?

A That would have been Ed Penick, who was chairman of our board at that time.

Q How did you come to know this?

A This was discussed in a board meeting.

Q Do you recall the date of the board meeting?

A No. You saw how poorly I did on dates earlier. So I'm not going to try that.

Q Can you explain the circumstances around Mr. Penick's inquiry?

A We were having some difficulty getting financial statements, as we had often had with this loan. And we had asked -- we had discussed that that was one of our deficiencies -- not the only deficiency we had. But we were talking about deficiencies, the sensitive nature of the deficiency because of Mr. Clinton being the governor.

And Mr. Penick says, "Well, gosh. Margaret and Hillary are personal acquaintances. Let me ask and see if she can help you get the financial statement."

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That's I'm sure what this resulted in.
Q Was this at a directors meeting?
A It was like when we talked off the record. It was off the record conversation. It was not made a part of the minutes of the board meeting.
Q It was not official business at the directors meeting?
A No.
Q So how did it come up? Who initiated the discussion regarding Whitewater?
A I can't recall. We were most likely talking about an audit that someone had done, whether it be the OCC or the FDIC or our internal audit people. "Well, how did that go?" "Well" -- and we summarized it. It probably came up that way. But that's just guessing; that's 10 years ago, or whatever.
Q Did someone convey information to Mr. Penick?
A Mr. Penick had been on the board for many years, so he was aware of the loan, sure.
Q Did Mr. Penick take a special interest in

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this loan?
A Not anymore -- well, what do you mean by special interest?
Q Fair question. Did Mr. Penick ever made inquiries to you regarding this loan, other than the discussion you've just described?
A No.
Q Do you know if he ever made inquiries to anyone else at First Ozark?
A Not that I'm aware of.
Q During this off-the-record discussion at the directors meeting, was there any discussion of pending banking legislation?
A No.
Q Do you recall this discussion taking place at the time when -- let me back up.
Do you recall a time when the Arkansas legislature was considering inter-county banking legislation, Pulaski County?
A Yes.
Q Can you recall that?
MR. PORTNOY: I'm sorry to keep

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interrupting. But once again, Mr. Nappi asked you if you recalled something and you said no. I just want to be clear if your testimony is that you do not recall whether bank legislation was discussed at this meeting, or you positively recall that it was not discussed?

THE WITNESS: It was not discussed.

MR. PORTNOY: Thank you.

BY MR. NAPPI:

Q Getting back to the Pulaski County branching bill, can you place this conversation in time, this conversation with Mr. Penick in time at the same time as the legislature was considering this legislation?

A I saw no connection at all.

Q So you can't say, yes, that was at the same time?

A No. It was not at the same time, or there was not any discussion, either one.

Q Is there anything that might refresh your recollection?

A I'm not aware of anything.

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MR. BELMAN: If you've got something that refreshes his recollection, give it to him. Don't ask him to speculate on whether there's anything out there.

MR. NAPPI: Let's go off the record.

(Discussion off the record.)

MR. BELMAN: You can ask Mr. Proctor to confirm this. But I think you've already gotten every document they have in the files.

THE WITNESS: You have everything that we have, yes.

(Discussion off the record.)

BY MR. NAPPI:

Q The next record I'd ask you to direct your attention to is January 8, 1987 minutes of the officers loan committee meeting of the First Ozark Bank.

(Handing document to witness.)

THE WITNESS: Okay.

BY MR. NAPPI:

Q Have you seen this document?

A Yes.

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Q Do you recall the proceedings of this meeting?
A Yes. I presented the meeting at this officers loan committee.
Q Do you recall the discussion about this loan at this meeting? In particular -- that's a bad question.
The property is valued at the $750 an acre average that you had valued it at. I assume during your January visit to the property, did anyone express concern about the depreciation, the value, the collateral?
A No, since we had enough escrow funds to make up the shortfall.
Q Do you recall anyone expressing any concerns at this meeting regarding the loan?
A No. At this point it was paid down to a low enough amount where, you know, it really was not a big concern at all. The risk rating was three, which means it's a normal rated loan. It's a normal risk. It's just presented to get a stamp of approval and approve it. It's a done deal.

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Q Take a look at this. This is the commercial loan application dated January 8, 1987. Is it the loan extension that we're discussing at this meeting?
A This is what we're discussing here.
Q Again, under the comments, there is a requirement that all financials be in the file before renewal.
A Yes.
Q What is the notation behind that?
A Okay. RAB.
Q Who's RAB?
A That's me, RAP.
Q Do you recall at this point of time, in the beginning of 1987, a remaining concern about the provision of the financial statement?
A We were trying to clear up deficiencies on many of our loan files at that time. So we were making pretty much that conditional on all loan renewals.
Q Did you ever renew a Whitewater loan without receiving financial statements?

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A Yes.
Q Was that prior to 1987?
A Prior to 1987 and after 1987.
Q Did you ever renew a loan without being able to obtain a financial statement from the Clintons?
A Yes.
Q Do you recall the circumstances?
A No, not individual circumstances, no. But it was not uncommon, as the records show, that there not be financial statements for long periods of times.
Q At this point in time, do you recall why you felt your conditioning the renewal of the loan on this piece of paper?
A I recall very well that the reason why we wanted the financials on this loan, as well as any other loan, is that we were making a strong effort. We had just become a national bank just a short period ago. And we were trying to clean up and spruce up our bank to get good ratings.
Our goal was to have a camel-one rating

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with the OCC. And that was part of it. They charged us with cleaning up our documentation deficiencies, and that was something that we were very strong on, is financial statements.
Q So the OCC had charged you with cleaning up your credit files?
A Oh, sure.
Q When did that occur?
A They examined us about every 18 months, and that was always something that they encouraged us to do, was to improve our collection of financial statements.
MR. BELMAN: For the sake of clarification, when you say charged, you don't mean they charged you with some violation of the law.
THE WITNESS: No. They put in their records that that would be something we could improve on.
BY MR. NAPPI:
Q Do you recall the OCC reviewing your records around this time, beginning in 1987?
A I do not recall when they reviewed, no.

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Q Do you recall any examiner flagging the Whitewater loan file as being poorly documented?
A The Whitewater loan was pulled every time an examiner came in because of the fact -- two things. It had the governor on it, and the fact that it had been a large loan in previous years. Examiners carried those loan files over and kept looking at it.
But there was not any more documentation reviewed on this loan than any other loan we had at the bank.
Q Was there greater criticism?
A More scrutiny, maybe, not more criticism.
Q What do you mean? What's the distinction?
A More scrutiny means that they looked at it with a magnifying glass because of who the loan was to.
(Discussion off the record.)
BY MR. NAPPI:
Q Was this an unusually large loan for the bank?
A No. It was a loan -- no. I have no other

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response, no.
Q I mean at the point -- well, that's not a fair question because the value of the loan decreased over time.
Prior, when you took over management of this loan, was it one of the larger loans in the portfolio?
A Yes.
Q Was it the largest loan?
A I don't recall.
Q Was it the largest commercial real estate loan?
A No. I don't know that.
MR. BELMAN: Just for clarification again, you asked him, when he took over the responsibilities, was this the largest loan in your portfolio? Do you mean the whole bank's portfolio or the portfolio he was accountable for himself?
MR. NAPPI: The entire bank's portfolio.
THE WITNESS: The answer to that is still, I don't know.
MR. PORTNOY: So your testimony was that

it was one of the larger loans that you personally were handling as a junior loan officer?

THE WITNESS: Correct.

BY MR. NAPPI:

Q Was it one of the larger loans that the bank had outstanding at that time?

A One of the larger ones, yes.

Q The next record I'd like to show you are the meeting minutes from December 7th, 1987, the directors loan committee minutes.

(Handing document to witness.)

BY MR. NAPPI:

Q Again there are concerns expressed about the document deficiencies in the Whitewater file. Specifically, there's a waiver on the financial statement from the McDougals. Do you recall this?

A Yes.

Q Why were the financial statements on the McDougals waived?

A When a loan gets to the point that it's performed, reduced, the collateral margin is good, you have a source of repayment to repay the loan



regardless of what the financial standing of the guarantors are. A CD-secured loan, a loan secured by an assignment of cash money that comes in every month -- you sometimes waive that requirement.

Q Why didn't you waive them for the Clintons?

A I don't recall. We did later on. I don't know why we didn't in this particular meeting. I don't recall.

Q Did there come a time when you became aware that the McDougals were having financial difficulties?

A I can't recall the timing of it, whether it was before or after the loan, or it had anything to do with the loan. But I did hear about it.

Q Do you recall a time when it became apparent to you that the Clintons would be the primary source of guaranty for payment on this loan?

A I would answer that by saying that there was a time that I realized that the Clintons that we were going to deal with about the loan because the McDougals, we were unable to locate either of the

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McDougals.
MR. NAPPI: Let's go off the record for a minute.
(Discussion off the record.)
BY MR. NAPPI:
Q I'd like the witness to review this next record. It is a copy of a phone message slip dated 4/27.
MR. BELMAN: No year?
MR. NAPPI: Actually there is not.
(Handing document to witness.)
THE WITNESS: Okay.
BY MR. NAPPI:
Q Do you recall making this telephone call?
MR. BELMAN: Maybe we could identify the document first. Do you know what this is?
THE WITNESS: Not really. I mean, it's got my name on it. It looks like it's got a phone message to call me back. It's got HRC so I imagine that's Hillary Rodham Clinton.
Now, I remember talking to Mrs. Clinton. But I don't remember in particular making this phone

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call.
BY MR. NAPPI:
Q Nor requesting a guaranty?
A To sign a guaranty agreement, probably. I can't recall.
MR. PORTNOY: Can we just state for the record, based on my cursory review of this phone message, it doesn't have a year on it?
MR. NAPPI: I think that had been made clear and well stated.
MR. PORTNOY: I didn't realize you made it clear. And I take it that Mr. Proctor doesn't have any specific recollection of this, so he can't help us place it in time except that he's testified that he doesn't recall speaking with Mrs. Clinton before 1990.
THE WITNESS: Right.
BY MR. NAPPI:
Q Do you recall when you first required a guaranty from the Clintons and McDougals?
A Yes. It's either cosigned or guaranteed all the way through. Originally the loan was just

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the individuals. Then they formed Whitewater. Then we had the corporation sign, and the guarantors sign. That's not new.

Probably what I was asking for there -- I'm 99 percent sure on this -- is that I sent them new documents to sign which include acknowledgements of continuance of the guaranty, renewal notes, and I probably just made that statement to her on the phone. That's just all the message that she wrote down, is just the guaranty forms.

Q Do you recall an instance where you had trouble getting the guaranty signed?

A No. I recall some times when I had difficulty getting documents signed by all four people because of them being out of town.

MR. BELMAN: Who's the them?

THE WITNESS: Them being the four signers, the Clintons and the McDougals.

(Pause.)

BY MR. NAPPI:

Q The next record I'd like you to look at is a letter on the stationery of John Wesley Hall, Jr.,

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Attorney at Law. The letter is actually signed by Sam Heuer. It's to your attention, dated July 3rd, 1990.

(Handing document to witness.)

BY MR. NAPPI:

Q Do you recall ever talking with Mr. Heuer?

A I don't recall talking to him, no.

Q Do you recall receiving this letter?

A Yes. I remember the letter.

Q Do you recall the circumstances under which you received this letter, other than the obvious?

A It came in the mail -- no, I don't.

Q Did you answer, no you don't recall the specific circumstances?

A No. I mean, I don't know the circumstances, anything about the letter, except that I received it.

Q Did you provide them with the requested information?

A No, not that I recall.

Q Why didn't you?

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A It wasn't any of his business. I didn't have any authorization from any of those people to give that information.

If I remember right, I filed that in the file and conveniently ignored it.

Q The next record I'd like you to look at is entitled File Notes. It's dated November 16, 1980, written by the witness.

(Handing document to witness.)

THE WITNESS: Yes.

BY MR. NAPPI:

Q Do you recall preparing this?

A Yes, I do.

Q Do you recall why you prepared this?

A Yes. And the reason why is that I wanted to explain the reason for an extension of the loan. And it's stated there in that last paragraph why I extended it.

Q Do you recall why Wade needed to defer making payments?

A He told me that his cash flow was suffering, and he needed the deferment in payments.

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Q Do you recall the time that Chris Wade finally paid down the remainder of the Whitewater loan?

A I remember the loan paid off. I don't know -- I still don't know to this day who paid it off, or where the funds came from.

Q Do you recall having any discussions with Chris Wade about the need to retire this loan, or attempts to retire this loan?

A At this time that we talked about these deferments, yes.

Q What did Wade have to say?

A He said that he could make arrangements to get it paid off, or resume those payments after the five months had lapsed. I believe it's five months. It looks like it is.

Q Did he tell you what kind of arrangements he could make to get it paid off?

A No.

Q The next record I'd like to direct your attention to is entitled Time Sheet. It's dated 7-30. It does not have a year on it. The timekeeper's

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name is Sue Cathy Jones. It's a partially redacted document, except for one item, which is Harvest Foods.

A I see it. I don't know anything about that. This is the first time I've seen it.

Q Do you know William Kennedy?

MR. BELMAN: Is he B. Kennedy?

THE WITNESS: I must, but I can't recall who he is.

BY MR. NAPPI:

Q Have you ever heard of Harvest Foods?

A Yes.

MR. BELMAN: You said you must know B. Kennedy. This is the record of a telephone conference with you and an office conference with him. Is there any reason --

THE WITNESS: I misunderstood that then. I thought it was a conference with myself and him. So maybe I don't.

BY MR. NAPPI:

Q Did you ever have any discussions with Hillary Rodham Clinton about Harvest Foods?

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A No.

Q How do you know of Harvest Foods?

A Advertisements.

Q So you've never had any professional involvement?

A No.

MR. BELMAN: Is there a number on that?

MR. PORTNOY: I believe it's RTC 085165. The other markings indicate that it was produced by the RTC to the House Banking Committee, although it doesn't have a House Bates stamp on it, which suggests that it was not made a part of the House records, and publicly released.

MR. NAPPI: I'm sure we have it in our records if it's an RTC document.

BY MR. NAPPI:

Q Do you know Terry Renaud?

A Yes.

Q How do you know him?

A He's our bank attorney, our legal counsel, "our" being Mercantile Bank of North Central Arkansas.

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Q Do you know a Terry Renaud who at one time worked for TC Bankshares?
A Yes.
Q Is it the same person?
A I'm sorry. I thought you said Terry Poynter. Terry Renaud, yes. I got the names confused; it's getting late.
Terry Renaud was the CEO, chairman of the board of Twin City Bank.
Q Did you ever have any discussions with him regarding the Whitewater loan?
A Not that I recall, no.
Q Do you know Susan Sisk?
A Yes.
Q Other than reviewing the loans at the officers loan committee, did you ever have any conversations with her regarding the Whitewater loan?
A Not that I recall. In fact, I can't even recall talking with her at all. She would not have reviewed that loan because it was not under her authority level. That would have to go to her. I would say no.

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MR. NAPPI: I don't have any further questions.
(Recess.)
EXAMINATION
BY MR. PORTNOY:
Q Good evening, Mr. Proctor.
A Hello.
Q At the very beginning of your testimony, you indicated that you began handling larger commercial loans in about 1984?
A Approximately, yes.
Q The Whitewater loan was in your portfolio from the time that you became a loan officer?
A No, from the time that Mr. Ritter left.
Q That was when?
A Gosh, it seems like about 1984.
Q The Whitewater loan, which I guess was actually a series of loans that renewed, tended to have short maturities of a year or two years?
A Yes.
Q Was that common practice?
A Yes, because of the state's usury law in

Arkansas. You cannot put a loan on a long-term basis with an adjustable rate. So you would balloon those. At each balloon you had a chance to reprice it at the current interest rate. So it was common.

Q It just wasn't a structure that was in any way unique to the Whitewater loan, was it, sir?

A No.

Q Was it common for balloon rates, balloon loans not to be repaid when they became due?

A Very common. Ninety percent, I would say, were not paid.

Q And those loans were normally renewed by the bank?

A Yes.

MR. NAPPI: May I ask a question? What would be the normal term of repayment, the normal period in which these loans would be renewed?

THE WITNESS: Depending upon the collateral, but I would say probably an average of 10 to 15 years on real estate secured loans.

BY MR. PORTNOY:

Q And you indicated that loans were normally



renewed?

A Yes.

Q Was it your expectation when you reviewed a loan file of an existing loan that was maturing that it would likely be renewed unless something had changed?

A Yes.

Q So the normal practice was to look at the loan with an eye toward renewing it. Would you say that's fair?

A On a loan of this type, yes. And what I mean by that is, some loans are made to be paid off at the end of the term. Some are made to renew so you can adjust the rate. This was one of those that was made to renew so you could adjust the rate.

Q And in your view, the Whitewater loan was adequately collateralized from the time you first began handling it until the time it was paid off?

A Yes.

Q Certainly you were comfortable that there were sufficient guarantees of repayment, including collateral and guarantees of the individual

borrowers?
A Most definitely.
Q So you never had any doubt that the loans were secure loans?
A I was never concerned about the loans from the loss standpoint, no.
Q I believe you testified earlier, when the loan was first made it would be considered a good loan because the criteria that were most important at that time were character and collateral?
A Yes.
MR. NAPPI: You did not make the loan.
THE WITNESS: No.
MR. NAPPI: So you really don't have a basis for determining whether it would have been a good loan at inception, for offering a judgment as to whether it would be a good loan at inception.
THE WITNESS: He's correct.
BY MR. PORTNOY:
Q Let me ask it differently. At the time you assumed management of the loan, supervision of the loan, did you consider it to be a good loan?



A Yes.
Q Was that based on collateralization of the loan in part?
A Based on collateralization. And at that time, McDougal's financial standing and his net worth, as well as the governor guaranteeing the loan as well.
Q Was there ever a time that you considered recommending that the bank not renew the loan?
A No.
Q Was there ever a time that the absence of a financial statement caused you to consider not renewing the loan?
A No.
Q Did you believe that you had sufficient information about the borrowers, even in the absence of financial statements?
A No. I would have liked to have had, as any banker would, more information about the borrower, with an updated financial statement. I'd like every loan in our bank to have updated financial statements.

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Q But you were comfortable that the loan was going to be repaid, irrespective of the absence of the financial statement?
A I was -- I would not say comfortable. But I was -- it was at that point, I would say, I'd like to have the financial statement. Then I would have been comfortable. Without the financial statement, I wasn't worried about loss of the loan. But I wasn't comfortable. It created work and a certain degree of tension because of that.
Q You also testified that it was fairly common at this time for financial statements to be tardy?
A Yes, that's true.
Q Can you estimate what percentage of the loans you supervised had this?
I'm asking the witness if he can estimate the percentage of loans that he supervised.
MR. NAPPI: At what time period?
BY MR. PORTNOY:
Q At any time period that you feel comfortable estimating about?

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A I can tell you that I've been through many, many examinations through the years. If you can run a loan portfolio -- I'm talking about the whole loan portfolio where there's not at least 20 to 25 percent of your loans with financial statement deficiencies, you're not making any loans.
So I would say at this point that we're looking between and average of 25 and 40 percent deficiency rate on financial statements.
Q Sir, it has been reported that the Whitewater loan was -- and I will quote -- "the only loan in the bank's portfolio that had a financial statement deficiency." Is that correct?
A That is the most ludicrous statement I've ever read. No, it's not correct.
Q So anyone who made that statement would either be mistaken or exaggerated?
A Or misquoted.
MR. NAPPI: It's not an either/or.
BY MR. PORTNOY:
Q The characterization of the loan as the only one lacking financial statements has been

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attributed to Vernon Dewey. Do you know Mr. Dewey?
A Yes.
Q Have you ever discussed with Mr. Dewey that characterization?
A The characterization of what?
Q As the loan as being the only one lacking financial statements?
A No, most definitely not, no.
MR. NAPPI: Mr. Dewey was a member of the loan committee?
THE WITNESS: The officers loan committee, for a period of time, yes.
MR. NAPPI: So he would have had an opportunity to review the loan file?
THE WITNESS: Sure.
MR. NAPPI: He would not necessarily -- he could have drawn whatever judgments he drew without discussing them with you?
THE WITNESS: Sure.
MR. NAPPI: He could have had access to the loan file?
MR. PORTNOY: We'll get to that, I promise

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you.
BY MR. PORTNOY:
Q Just to summarize, sir, there was nothing special in your mind about the difficulty of obtaining financial statements for the Whitewater loan? It may have been troubling, but it wasn't unique?
A It was troublesome. And the only way it was unique was the fact that all four of the borrowers were away from our location. And that made it more difficult to get because of letters and correspondence. That's the only difference.
Q Mr. Proctor, I'd like to show you a document previously identified as number 87, which also bears the stamp numbers CBF 0379, and House Whitewater Report 7878.
This is I believe your file notes from January 6 of 1987.
(Handing document to witness.)
THE WITNESS: Okay.
BY MR. PORTNOY:
Q Mr. Nappi asked you about the valuation

you placed on the property.
A Okay.
Q I believe he indicated that you thought the acreage should be valued at $750 an acre?
A Yes.
Q And you indicated that that was below the formal appraisal?
A Yes.
Q Did you commission any formal appraisal?
A No.
Q Are you an appraiser, sir?
A No.
Q So this was in essence your best guess as to the value?
A Based on experience in the banking business.
Q The actual value could have been higher?
A Oh, sure.
Q And a person could reasonably assume that the value was higher, or could reasonably have concluded that the value was higher?
A True.



Q This document apparently addresses only some of the lots in Whitewater. And I believe it states that it only addresses lots that are still secure in the loan to the bank.
Do you know what happened to the other lots? They no longer secure the loan to the bank.
A Because they were purchased, paid in cash and paid for. And it was applied to the loan.
Q So the missing lots or the lots that aren't discussed on the document have already been conveyed, in essence, in fee simple to a purchaser?
A Anyone who wants to put a house on there, you know, it's their lot.
Q So did you ever show this document to Mr. and Mrs. Clinton, or anyone acting on their behalf?
A No.
Q Did you ever show it to the McDougals?
A No.
Q Did you ever discuss with the Clintons or the McDougals or anyone acting on their behalf the valuations that you attached to the lots?
A No.

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Q So there's no reason to believe that the Clintons or the McDougals knew what value you had placed on the lots?
A No. They wouldn't know that.
Q So if they came to a different conclusion, they wouldn't have any reason to know that their conclusion differed from yours?
A True.
Q You also indicated that you attended a board meeting where Mr. Penick stated he was going to ask Margaret Davenport to speak with Mrs. Clinton?
A Yes.
Q That he was going to ask Mrs. Davenport to ask Mrs. Clinton for financial statements?
A Yes.
Q Do you recall who else might have been privy to that conversation?
A I can't recall the ones that were in there. There were two or three. Wes, I believe, was there. A couple of the board members were probably there, but I can't recall which ones. It was after the meeting, and we were all milling out and getting

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ready to leave.
Q Do you recall if Mr. Dewey was at the meeting?
A No, he was not. He did not attend board meetings, unlike the book says.
Q Do you recall whether this was a regular board meeting? This wasn't a special meeting of some kind, was it, sir?
A No. It was a regular scheduled board meeting.
Q Other loans besides the Whitewater loans were discussed?
A No. There were not any loans discussed. That was a board meeting. It was not a directors loan committee meeting. They were different. We don't normally discuss loans in that except for loans to insiders and directors. We don't discuss regular loans like these in that meeting.
Q The meeting wasn't called, to the best of your knowledge, for discussing the Whitewater loan, was it, sir?
A No. It was not called at all to discuss

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Whitewater. We've never called a special board meeting to discuss Whitewater, or in that case I can think of, any loans.

Q To your knowledge, did anybody at this meeting suggest calling the Whitewater loan, in light of the lack of a financial statement?

A No. I don't think there was ever any decision to call the loan.

Whenever you discuss a loan, you discuss all the different alternatives. But I don't even think calling the loan was discussed as an alternative.

MR. NAPPI: Could I ask a quick question? Did you ever discuss the possibility of calling the loan with Susan McDougal?

THE WITNESS: I can't recall, but I don't think so.

BY MR. PORTNOY:

Q Sir, did you ever discuss with Margaret Davenport the prospect of her speaking with Mrs. Clinton?

A No.

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Q Did she ever tell you that she had spoken with Mrs. Clinton?

A No.

Q Did anyone else ever tell you that Margaret Davenport had spoken with Mrs. Clinton?

A Mr. Penick communicated with Mr. Strange that she was delivering the financial statement. But that's all I heard.

Q You don't know how that came about, though?

A No.

Q Did you ever discuss, again with Mr. Penick, the prospect of Mrs. Davenport speaking with Mrs. Clinton?

A No.

Q So you don't know if Mr. Penick actually spoke with Margaret Davenport?

A No.

Q And you don't know if Mrs. Davenport actually spoke with Mrs. Clinton?

MR. BELMAN: I guess for the record you ought to identify who "she" was. When the statement

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was forthcoming, you said "She delivered the statement." Do you mean Mrs. Davenport or Mrs. Clinton?

THE WITNESS: Yes. Mrs. Davenport was supposed to deliver the statement to Mrs. Clinton.

BY MR. PORTNOY:

Q You mean the blank form?

A The blank form, yes.

Q Do you know if that occurred, sir?

A Only from the result, the end result, that we received a financial statement.

Q But you don't know how Mrs. Clinton got the blank form?

A No.

Q And you don't know how the blank form came to be returned to the bank?

A No.

(Handing document to witness.)

MR. NAPPI: Is this the financial statement that was in question?

THE WITNESS: Yes.

MR. NAPPI: I'm sorry.

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MR. PORTNOY: I'd like to make this clear. Mr. Nappi has shown the witness a form financial statement which lacks a Bates number. That is the financial statement dated March 24, 1987.

And I believe that Mr. Proctor has identified the form.

BY MR. PORTNOY:

Q I don't understand your testimony to be that you understand that this particular document was identified by Mrs. Davenport to Mrs. Clinton?

MR. BELMAN: I think the question was whether this was the form that was filed by the Clintons as their financial statement?

THE WITNESS: That's what I was answering.

BY MR. PORTNOY:

Q So you don't know how the blank form that the Clintons filled out got to them, do you, sir?

A No.

Q You also testified about a January 8, 1987 officers loan committee meeting in which the Whitewater loan received a risk rating of three.

A Yes.

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Q You testified that that meant "a normal loan"?
A Yes.
Q Was a three rating a common rating for a loan?
A 80 percent of our loans in the bank at that time, if not more, were three rated.
Q So a three rating didn't mean that default was somehow imminent?
A Oh, no.
Q And there was nothing unusual about approving a loan that was rated three?
A Not at all.
Q Sir, the statement has been made that the loan committee gave the Whitewater loan a risk rating of three, and I now quote: "meaning the bank should start preparing for a default, but still hoped the loan would perform." Is it accurate to say that the bank started preparing for default on loans that were rated three?
A Absolutely not, no.
Q I take it that it is accurate that the

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bank expected loans rated three to perform?
A Yes.
Q You also testified, sir, that by the time of this January 8, 1987 officers loan committee meeting, you considered the Whitewater loan to be "a done deal." Did you mean by that, sir, that you expected the committee would approve your recommendations for renewal?
A I didn't understand the first part of your question.
Q During the questioning by Mr. Nappi, you testified that by the time the loan committee meeting was held to consider the Whitewater loan, you considered the loan -- I believe your quote was "a done deal."
A What time are we talking about? What timeframe are we talking?
Q January 8, 1987, sir.
A '87.
Q I take it you mean by that you expected the loan committee to approve the loan?
A Oh, yes.

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Q And that you were prepared to recommend approval of the loan?
A Yes.
Q And you expected the loan committee to go along with your recommendation?
A Yes.
Q Did anybody pressure you to recommend that the loan be approved?
A No.
Q Did anybody ever pressure you with respect to the Whitewater loan, to approve a renewal?
A No.
Q So anytime you recommended approval, it was entirely based upon your own analysis of the fundamentals of the loan?
A Yes, it was.
Q No one ever urged you to give the loan some kind of preferential treatment because one of the borrowers, one of the four guarantors, was the governor?
A No.
Q In 1984, when you recall taking over

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supervision of the Whitewater loan, were you one of the more junior loan officers at the bank?
A I will answer by saying I was a junior loan officer, but I was not one of the more junior loan officers at our bank because our turnover had been high in the division up to that point.
Q Were there more senior loan officers at the bank than you at the time?
A Not with the exception with the president.
Q When loans were assigned to you, did anyone ever say to you that a particular loan -- by this I don't mean necessarily the Whitewater loan -- was considered troubled or potentially a problematic loan?
A No. As a senior lender, you get the report, and you look at the OCC or the FDIC comments on the loan. You get acquainted with them, you review the files, and you form your own judgments on it.
Q So nobody walked you through the files?
A No.
Q Mr. Nappi also asked you about a request

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for a loan documentation waiver regarding the financial statements of the McDougals. Do you recall that, sir?
A Yes.
Q I believe you testified that loan documentation waivers of this kind were not uncommon?
A That's correct.
Q There were similar waivers granted for other loans?
A Yes.
Q Did you consider this request for a waiver to be some kind of special treatment for the Whitewater loan?
A No. If it hadn't have been -- I think it almost went backwards on this one. We were more cautious to waive this one than we would have most others.
Q So if anything, you held the Whitewater loan to higher standards?
A We felt like we needed to because it was scrutinized and reviewed more than most loans of that amount.

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Q So if the guarantors had been four anonymous individuals as opposed to the McDougals and the Clintons, in your estimation, the same request for a waiver would have been made?
A Sure.
Q And the waiver would have been granted?
A Based upon it being this similar net worth.
MR. NAPPI: You're asking a hypothetical.
MR. PORTNOY: Yes. Based on the same financial situation.
THE WITNESS: Taking the politics or the people out of it, and with the same financial statements and net worth, sure. That would be an easy call to make.
BY MR. PORTNOY:
Q And the waiver was justified by the fundamentals of the loan?
A Sure.
Q Did you ever turn over control or supervision of the Whitewater loan to Mr. Dewey?
A No.

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Q To your knowledge, did he ever state that he was supervising or controlling the Whitewater loan?
A No, not to my knowledge. And I'm pretty sure, no.
Q To your knowledge, did Mr. Dewey ever correspond with the Clintons regarding the Whitewater loan?
A Not to my knowledge.
Q Did he ever show you correspondence that he had prepared to the Clintons, or asked you to review such correspondence?
A Not that I can recall; I don't think so.
Q Can you envision a circumstance under which Mr. Dewey would have corresponded to the Clintons about the Whitewater loan without bringing that to your attention?
A I would not think so, no. He would not under normal circumstances. I mean, he could have, but I don't see why he would have.
MR. NAPPI: You're having trouble envisioning, right?

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(Laughter.)
THE WITNESS: Yes, right.
BY MR. PORTNOY:
Q If he had corresponded with the Clintons about the Whitewater loan without advising you, would you have considered that an improper thing to do?
A Yes.
Q Did Mr. Dewey ever express to you the view that the Clinton loan should be called?
A No.
Q Did anyone ever express to you the view that the Whitewater loan should be called?
A No.
MR. NAPPI: Are you certain no? Are you saying, "No, I don't recall"?
THE WITNESS: I'm saying, no, not that I can recall. I do not recall anyone ever saying that.
MR. NAPPI: Including Dewey?
THE WITNESS: Including Dewey.
(Pause.)
BY MR. PORTNOY:
Q Mr. Nappi asked you whether you recall

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legislation to allow branch banking in other parts of the county. Do you remember that?

A Yes.

MR. NAPPI: I asked about Pulaski County.

THE WITNESS: Yes, Pulaski.

BY MR. PORTNOY:

Q Do you recall whether the management of Twin City's Bankshares or Twin City's Bank ever took a position with respect to that legislation?

A Yes, I recall they were very much in favor of the legislation, just as we were in our bank because of being able to branch into contiguous counties in our area, too.

MR. NAPPI: There's a clarification. I think you're thinking about the 1988 general branching bill.

THE WITNESS: That's correct. The one before only pertained to Pulaski County. Thanks for correcting me.

BY MR. PORTNOY:

Q Do you remember whether TCB took a position with respect to the 1987 bill?

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A Oh, yes. They were very pro branching at that point.

Q So the company favored both bills, to your recollection?

A Yes.

Q Did anyone affiliated with TCB ever suggest to you that the bank had some kind of special influence with Governor Clinton based on the Whitewater loan?

A Absolutely not.

Q Did anyone ever suggest to you that you should take any action with respect to the Whitewater loan in order to curry influence with Governor Clinton?

A No.

Q Did anyone ever suggest to you that you should forebear from any action with respect to the Whitewater loan in order to influence Governor Clinton?

A No.

MR. NAPPI: Are you saying any action, like take no action, or with respect to any specific

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action?
MR. BELMAN: He thought he asked that question in every way possible.
MR. PORTNOY: I thought I did, too. That was my intent.
BY MR. PORTNOY:
Q To your knowledge, sir, did anyone ever suggest any connection whatsoever between the bank's treatment of the Whitewater loan and Mr. Clinton's handling of the branch banking legislation?
A I see no connection at all between the two.
MR. NAPPI: Can I ask a couple of questions before you move on from this?
MR. PORTNOY: I may not move on from this.
(Pause.)
MR. PORTNOY: I believe, sir, that those are all my questions. Mr. Nappi has indicated that he may have a few questions.

FURTHER EXAMINATION

BY MR. NAPPI:
Q If you would just focus on the Pulaski

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County branching bill for one moment, the 1987 bill, how did you become aware that Twin City Bank was very much in favor of that legislation?
A Newspapers, conversations with employees of the bank, their desire for years to want to branch into Little Rock.
Q Did Mr. Penick ever express his enthusiasm about the legislation?
A Oh, sure. Mr. Penick was very much a proponent of that.
Q What about Mr. Renaud?
A Also, he was enthusiastic about it, sure.
Q Prior to that, had you ever discussed any legislation pending before the Arkansas legislature with Mr. Renaud or Mr. Penick?
A Most definitely. They would discuss in our board meetings all the current legislation that was going on and how it would affect our bank and their bank. That was probably discussed almost every board meeting.
Q Did they seem particularly enthusiastic about this legislation, the 1987 act?

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A Yes. They were excited about it, if it passed. They were hoping it would.
Q If I could just ask one more question, again.
MR. PORTNOY: That's fine. I was going to follow up on this, but go ahead.
BY MR. NAPPI:
Q Turning to the personal financial statement that your counsel was kind enough to provide for us today, the March 24, 1987 financial statement of the Clintons. Just stepping back to your previous testimony, when I rudely interjected -- and I apologize for that -- was this the financial statement you were seeking to obtain through Margaret Davenport? By that I mean the information conveyed through this statement, was this --
MR. PORTNOY: I don't believe Mr. Proctor testified that he was seeking to obtain anything from Mrs. Davenport.
MR. NAPPI: You're right. I'm sorry. I mischaracterized.
BY MR. NAPPI:

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Q But you testified as to Mr. Penick stating that perhaps Margaret Davenport could help obtain the necessary information. Was it in connection with this particular financial statement?
A We were attempting to get a schedule of assets, liabilities, net worth of the Clintons. And this fulfilled that requirement.
Q This particular -- by this one, I mean --
A This document fulfilled that requirement.
Q Okay.
FURTHER EXAMINATION
BY MR. PORTNOY:
Q Sir, during your efforts to obtain financial statements from the Clintons, did you ever come to believe that the Clintons were trying to hide something?
MR. NAPPI: Trying to hide what? Bad penmanship?
MR. PORTNOY: That's precisely the point.
BY MR. PORTNOY:
Q Much has been made of the fact that these financial statements were sometimes tardy. Did the

fact that the financial statements were sometimes tardy or difficult to obtain ever suggest to you, or do you have any basis to believe, that the Clintons were trying to deny the bank the information?

A No, not at all. Not then, and not now. I have numerous customers that are good, solid, and have a very nice financial statement in terms of net worth and income that just would rather take a beating than fill out a financial statement. It's not unusual.

MR. PORTNOY: Thank you, sir.

MR. NAPPI: I have no further questions.

(Whereupon, at 8:10 p.m., the deposition of RON A. PROCTOR was concluded.)

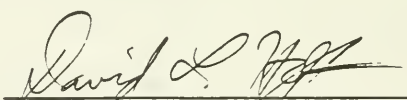
I have read the foregoing pages, which reflect a correct transcript of the answers given by me to the questions therein recorded.

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RON A. PROCTOR

CERTIFICATE OF NOTARY PUBLIC & REPORTER 110

I, DAVID L. HOFFMAN, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.



Notary Public in and for the
District of Columbia

My Commission Expires JUNE 30, 2000

# DEPOSITION OF J. WESLEY STRANGE
# IN RE: S. RES. 120

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**THURSDAY, MAY 2, 1996**

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER
DEVELOPMENT CORPORATION AND RELATED MATTERS,
*Washington, DC.*

Deposition of J. WESLEY STRANGE, called for examination pursuant to notice of deposition, at 12:20 p.m. in Room 534 of the Dirksen Senate Office Building, before DAVID L. HOFFMAN, a Notary Public within and for the District of Columbia, when were present:

DOUGLAS R. NAPPI, ESQ.
Majority Counsel
JAMES S. PORTNOY, ESQ.
Minority Associate Special Counsel
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Building
Washington, DC 20510
On behalf of the Committee.

MURRAY J. BELMAN, ESQ.
Thompson & Mitchell
700 Fourteenth Street, NW
Suite 900
Washington, DC 20005
On behalf of the Deponent.

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PROCEEDINGS

(12:20 p.m.)

MR. NAPPI: Let's go on the record.

This deposition is being conducted pursuant to S. Res. 120. This Resolution establishes a Special Committee administrated by the Banking Committee to conduct investigation involving Whitewater Development Corporation and other related matters.

Section 1(b) of Senate Resolution authorizes investigation and public hearings into, amongst other things, the activities, investments, and tax liability of Whitewater Development Corporation and is related to Whitewater Development Corporation and its officers, directors, and shareholders.

This deposition is in advance of public hearings. It is likely you will be called to testify. We will ask you a series of questions. You will testify under oath.

If you don't understand a question, let me know and I will rephrase. If you need a break,

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please let me know.

The stenographer will prepare a record of questions and answers. The deposition will be treated as Committee confidential until the commencement of the hearings. Prior to the hearing, you will receive a letter from the Committee telling you that you may come to the Senate to review the transcript of your deposition and make note of any corrections for transcription on an errata sheet.

If you are called to testify at a public hearing, you will be permitted to have a copy of your deposition transcript before your testimony.

You may be represented by counsel. Objections to form of question will be noted for the record.

Counsel may object on grounds of privilege or relevance. The Committee Chairman may rule on objections where the witness refuses to answer a question.

Please swear the witness.

Whereupon,

J. WESLEY STRANGE

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was called as a witness herein, and having been first duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. NAPPI:

Q Please state your name for the record.

A J. Wesley Strange.

Q Are you represented by counsel?

A Yes, I am.

MR. NAPPI: Could counsel please identify himself for the record?

MR. BELMAN: I'm Murray Belman with Thompson, Coburn here in Washington.

BY MR. NAPPI:

Q Mr. Strange, did you speak to anyone other than counsel about your testimony prior to your deposition?

A No.

Q Could you please state your present business address?

A It's at 4th and Main Street, Flippin,

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Arkansas.

Q You're employed by?

A Mercantile Bank of North Central Arkansas.

Q And your position at Mercantile?

A President, CEO.

Q How long have you held that position?

A Ten and a half years.

Q Before Mercantile Bank was known as Mercantile Bank, what was it known as, sir?

A First Ozark National Bank.

Q When was it acquired by Mercantile Bank?

A May 1st of 1995.

Q When did you join First Ozark?

A January 1st of 1986.

Q Where were you employed before that?

A Centerre Bank in Branson, Missouri.

Q So you joined First Ozark at the beginning of 1986 and you were employed as President and CEO at that time?

A That's correct.

Q When you joined First Ozark, did you become aware that there was a loan outstanding to

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Whitewater Development Corporation?
A Shortly thereafter, as a review of the loan portfolio, I'm sure that I did.
Q You don't recall the specifics of when you first learned of it?
A Not specifically, no.
Q Do you recall who the loan officer was who was responsible for that credit file at that time?
A A gentleman by the name of Ron Proctor.
Q What was his position?
A Loan officer and I believe vice president was the title at that time.
Q So you first became aware of this loan as a review of the credit files of the bank?
A Correct.
MR. PORTNOY: I'm sorry, you learned of the loan or was that your assumption?
THE WITNESS: I learned of the loan as I reviewed the credit files at that time, yes.
BY MR. NAPPI:
Q Did you discuss the loan with Mr. Proctor at that time?

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A I don't recall whether I did or not.
Q Do you know a gentleman named Vernon Dewey?
A Yes, I do.
Q Did you discuss that loan with Vernon Dewey at that time?
A Not that I'm aware of.
Q Did you discuss the loan with anyone when you first reviewed it?
A Probably not. As a general course of business, there would not have been a discussion held on each and every file as we went through the review.
Q Was there anything about the loan file that seemed unusual in your view?
A Not really.
Q It was all properly documented?
A Basically.
Q You say basically.
Were there any documents that you would have expected to see in a credit file that were not there?
A No.

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Q Did you ever go out and visit the property that collateralized this loan?
A No, I did not.
Q So you've never been out to the Whitewater Real Estate Development?
A No, I have not.
Q I'd like to show you a document. It's unfortunately not Bates stamped, but it is entitled "Financial Statement of James B. and Susan McDougal As of December 31, 1985."
(Handing document to witness.)
MR. PORTNOY: Can we go off the record for a second?
(Discussion off the record.)
BY MR. NAPPI:
Q Do you recognize this document?
A Not specifically. Within the bank records and files, there are financial statements of the McDougal's. I don't know if this is one of those records or one of those financial statements directly from the file or not. There's no identification marks on it so that it can be identified as such.

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Q I direct your attention to the listing of assets. One item is Whitewater Development Company.
A Correct.
Q It's valued at $53,400.
Do you recall any conversation with anyone regarding the valuation of this stock, whether they felt indeed that that was a proper value for the stock?
MR. PORTNOY: Can I ask Mr. Nappi to clarify whether he's representing to the witness that this is in fact the document that was produced by Mr. Strange's bank, or whether this is a document that was obtained elsewhere.
Because if we're going to ask Mr. Strange about the actual entries on this financial statement, it would seem to be a necessary predicate to establish that that's a document that was somehow in possession of the bank.
MR. NAPPI: I will represent that this is a record.
THE WITNESS: This is one of the records that came from our bank through a subpoena?

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BY MR. NAPPI:
Q Yes.
A Okay. I don't remember a specific discussion of December '85 or thereabouts, discussing whether the values were correct or incorrect on that particular stock.
Q I would draw your attention to the liability list. There's no listing for the loan outstanding from your institution for the mortgage?
A That is correct.
Q Would that be something that in the ordinary course you would expect from a borrower?
A It depends upon how he valued the stock of Whitewater, whether that's a net asset value that he's showing from the company. That's a corporation so it would not be unusual that the corporation liability be shown on a personal statement.
Q I think I lost you there.
Could we back up?
It would not be unusual for the liability to not be listed?
A Of a corporation, that is correct. The

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part that possibly would make the statement more complete, if there had been a contingent that he's personally guaranteed. That does not show up on this statement.
Q So it would not be that unusual in this situation because at this time the loan was for Whitewater Development Corporation?
A Right.
Q When you came to the bank, it was your understanding that the loan was to Whitewater Development Corporation?
A That's correct.
Q Do you recall, when you joined the bank in 1986, how the guarantee had been provided by the McDougals and Clintons for this loan?
A Through review of the file and in subsequent years, yes, I have.
Q Just to clarify, we are focusing again in 1986, I assume it's 1986, when you first reviewed this file.
A I don't have a specific recollection of the specific date in 1986 of reviewing the file, to

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answer your question. I'm sorry, my memory's not that good.

Q Can you place it in 1986?

A I would think so, somewhere in '86 or '87.

As we looked at the file, there was a personal guarantee.

Q Do you recall if there was a personal guarantee on the loan when you initially reviewed the file?

A As far as I can remember, yes.

MR. PORTNOY: Do you recall by whom the loan was guaranteed at the time you initially looked at the file?

THE WITNESS: I think James and Susan McDougal and Bill and Hillary Clinton.

BY MR. NAPPI:

Q So it was your opinion, as a banking professional, that you were loaning the money to Whitewater Development Corporation. That this was not a loan to the Clintons and McDougals in their individual capacity?

A That is correct.

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Q It's also your opinion that the mortgage that collateralized this loan would have run with the land itself, right?

A Correct.

Q Was there anything in the credit file to demonstrate that the mortgage ran with the land? Did I make myself clear on that?

MR. BELMAN: That's a legal conclusion. Do you really feel confident to give a legal conclusion whether the mortgage runs with the land?

THE WITNESS: There was a mortgage there listing property. I did not verify the surveys or this type thing.

BY MR. NAPPI:

Q Was there anything in the credit file indicating that, for instance, the corporation had consented to a lien on its assets?

A No.

(Pause.)

Q Again focusing on your initial review of the file, do you recall whether there were financial statements there, personal financial statements from

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both the Clintons and McDougals?
A I don't recall if they were there, or if they were, what dates they were at this point in time.
Q In general --
Well, let me rephrase that.
Did the bank ever experience problems obtaining financial statements from either the McDougals or the Clintons?
A Yes.
Q Through the McDougals?
A Yes.
Q Do you recall any specific instances?
A I can't specifically identify the date but it would have been probably in the late eighties when the McDougals were separated. We lost communication with them, and did not receive statements from them at that time.
MR. PORTNOY: When you say separated, you mean when Mr. and Mrs. McDougal's marriage was dissolving?
THE WITNESS: That's correct, yes, sir.

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And the Clinton's financial statements, as I recall, were needed and they were outdated in the latter part of '86, and subsequently we got that statement, as I recall, for part of '87.
BY MR. NAPPI:
Q With respect to the Clintons, how did you become aware that you needed updated financial statements?
A Through a documentation deficiency list that we have within the bank that identifies the need for documents out of all the files.
Q Do you review that in the ordinary course?
A Yes.
Q Did anyone ever bring it to your attention, anyone associated with the bank ever bring it to your attention that they were having problems obtaining financial statements?
A Other than through the documentation deficiency list, it would have been noted on there. And Ron Proctor, being the general loan officer, handling the file, we may have discussed that.
Q Do you have any specific recollections of

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conversations?
A I'm sorry, I don't.
(Pause.)
Q I'd like to show you a second document, a financial statement of James B. and Susan McDougal, as of January 27, 1986. I apologize, I don't have any copies.
(Handing document to witness.)
THE WITNESS: Again, I ask is this a document that was produced through the subpoena?
MR. NAPPI: This was not produced directly through the subpoena. As you can see, it was produced to the House Committee.
THE WITNESS: But did the House Committee acquire it through other means from our bank files?
MR. NAPPI: That's what I understand.
MR. BELMAN: I noticed that it says "Produced by the RTC." I suppose that means you got it from the RTC.
THE WITNESS: Okay.
BY MR. NAPPI:
Q Do you recognize this document?

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A I recognize it as a financial statement signed by the McDougals.
Q But you don't have any specific recollection of reviewing this document?
A Not specifically, no.
(Pause.)
MR. PORTNOY: Off the record for a second.
(Discussion off the record.)
BY MR. NAPPI:
Q Did it ever come to your attention that Whitewater Development Corporation was incurring losses in its operations?
A At some point. I don't recall whether they were losses but they were not making the payments direct and the sales from the contracts were making the payments. I cannot specifically say they were incurring losses. I don't know that I can attest to that.
Q What you're referring to is the fact that the payments were coming directly from the escrow set up for the payments by people who had the property by contract?

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A Yes.
Q Was that of common practice -- are to receive payment like that on a contract for deed?
A Yes.
Q Were there ever deficiencies in interest payments or principal payments?
A Not that I can recall.
Q I'm going to show you another record. This one actually does have a Bates stamp on it. It's Bates stamp number DKRT-800433.
(Handing document to witness.)
BY MR. NAPPI:
Q It's a letter.
Would you just take a moment to review this?
(Pause.)
MR. PORTNOY: Just for the record, I believe I have a different Bates number for the same document, so the record can be clear on this, this appears also to be DEK 006394.
MR. NAPPI: Sure. There are probably several others.

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BY MR. NAPPI:
Q Do you recall ever seeing this letter?
A Not specifically. It is dated in August of '79 which was seven years prior to my coming to the bank.
Q So you do not recall ever seeing it in the credit file?
A No.
Q Was there ever an agreement that you were made aware of that this loan, the Whitewater loan, if I may call it that, that the principal on this loan would be subject to a ten percent annual pay down?
A It's very possible but I don't specifically recall that. It was under such an agreement when I came there at the time.
(Pause.)
Q Were you satisfied with the performance of the loan as far as repayment of principal?
A I believe we were, and that may have changed from time to time, depending upon what the income flow was. As this says, a ten percent, so that might have changed minorly from renewal to

renewal, but basically yes. It was paying down, being reduced each year, and that was the main idea.
Q Was it typical for commercial real estate loans in First Ozark's lending area to amortize over such an extended period of time. By that, I mean a loan made in 1978 that wasn't paid down until the early 1990s.
A You used the term "typical." I don't know that it was typical but I don't know that it was atypical either. It was through an agreement, as you go forward sometimes to modify the payment period.
Q Did you have other loans in Marion County, other commercial real estate loans in Marion County that were outstanding for that long a time period?
A I am sure we did, but I cannot identify specifically names to those loans at this time.
Q Did your bank have any loans outstanding secured by property adjacent to the Whitewater Development Company.
A Not that I recall.
Q You came to the bank in January of '86?
A Correct.



Q At that point, the bank was part of T.C. Bankshares?
A Yes.
Q Do you know who owned T.C. Bankshares?
A It's my understanding that a gentleman by the name of Frank Lyon, Jr. owned the majority stock.
Q Did you ever meet Frank Lyon, Jr.?
A On two or three occasions socially, yes.
Q Did you ever discuss the Whitewater loan with him?
A Never.
Q Did any employees of T.C. Bankshares serve on the Board of Directors of First Ozark?
A Yes.
Q Could you name those individuals?
A Ed Penick, Jr. and Terry Renaud.
Q Were they serving on the Board when you came to First Ozark?
A Yes.
Q Did they continue to serve on the Board?
A Yes.
Q And both have continued to serve on an

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uninterrupted basis?
A No.
Q Could you run us through the chronology? I'm not asking for specific dates if you can't recall.
A Mr. Penick went off the Board in the late '80s, as I recall, early '90s, when he changed employment with Twin City Banks, and Mr. Renaud stayed on the Board, as I recall, uninterrupted until December -- let's see, no, it would have been early '95.
Q Do you know Margaret Davenport?
A Yes.
Q How do you know Margaret Davenport?
A She was an employee of Twin City Bank.
Q Would you have contacted her regarding business?
A No. She was, as I say, an employee that we knew at an affiliate bank, but who did not have direct contact with our bank.
Q How did you come to know Ms. Davenport?
A As I say, she was an employee of our main

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bank, of our sister bank. We got to know most of the officers within the affiliate system.
Q Did you know a woman named Susan Sisk?
A Yes, I did.
Q How did you know Susan Sisk?
A Susan was a representative from Twin Cities Bank that was on our lending committee.
Q Officers Loan Committee?
A Yes, sir.
(Pause.)
Q I'd like to show you yet another document, Bates stamp number DKRT-700294. It's a one-page document with handwritten notes on a piece of stationery that is marked Hillary Rodham Clinton at the top. It looks like personalized stationery.
(Handing document to witness.)
BY MR. NAPPI:
Q Could you just take a moment to examine this?
(Pause.)
A I'm sorry, my reading of them is not very good. The notes secured by mortgage.

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MR. BELMAN: You don't have to read it. Just read it to yourself.

I don't think you want him to read it into the record.

MR. NAPPI: No.

THE WITNESS: Very good.

BY MR. NAPPI:

Q Do you recall Margaret Davenport ever requesting information of you regarding the Whitewater loan?

A No, I don't.

Q Do you recall any conversation with Margaret Davenport in which she may have asked you for the information that is contained in this note?

A Not that I can recall. I never had any conversations with Ms. Davenport regarding the loan.

Q Do you know if anyone at First Ozark ever had any conversation with Ms. Davenport regarding the Whitewater loan?

A I have not any knowledge of that.

Q Ms. Davenport was employed at Twin City in North Little Rock. Is that correct?

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A That's correct.

Q Would she have had access to the credit file for the Whitewater loan at Twin City in North Little Rock?

A Not that I'm aware of.

MR. NAPPI: Let's go off the record.

(Discussion off the record.)

MR. NAPPI: Let's go back on the record.

While we were off the record, Witness' counsel requested that we explain our procedure with respect to documents that are shown witnesses. We have explained that our standard procedure is that we do not attach documents as exhibits because the depositions become public and some of the documents will not become public, will remain confidential and be treated confidentially.

So while we identify documents, they will not be attached as exhibits.

MR. PORTNOY: That's our understanding as well of the Committee's practices.

MR. BELMAN: I just had one question of you when you made the statement. I meant to ask at

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the beginning how do you treat testimony. There hasn't been any so far but in the event there is, that the bank considers confidential customer proprietary information, do you have a procedure where the witness can request confidential treatment of the information or the testimony concerning that, and consider that segregated?

MR. NAPPI: The deposition? No, I'm not aware of any.

MR. BELMAN: So if there's some testimony that he thinks is confidential, he shouldn't respond?

What do you want him to do?

Usually in a litigation setting you have some sort of protective order for that kind of material. I just don't know what your procedures are.

MR. NAPPI: I'm not aware of it ever becoming an issue.

MR. BELMAN: It may not. Maybe I'm anticipating a non-problem, but since it occurred to me, I meant to ask it anyway.

MR. PORTNOY: We can go off the record.

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(Discussion off the record.)

(Readback.)

BY MR. NAPPI:

Q If we return to Susan Sisk for a moment. She served on the Officers Loan Committee?

A Yes.

Q Did she serve in any other capacity with respect to First Ozark?

A No.

Q What were her dates of service on the Officers Loan Committee?

A Late '80s, '87, '88 through probably early '90s.

Q How frequently did the Officers Loan Committee meet?

A Normally once a week or as necessary.

Q Did she participate?

A She would maybe once a month or every two months would actually sit in. The minutes or whatever would be sent to her for review.

Q So she didn't participate in every meeting?

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A No.
Q Why would she review the minutes?
A As part of an assignment that she had as a chief lender with Twin City. It was part of their policy to have somebody from the main bank sit on each of the loan committees of the affiliate banks.
Q Did she have voting power on the loan committee?
A Yes.
Q So in those instances where she did not actually participate in the deliberations, would decisions be held off pending her review of the loan minutes?
A Yes, and that would be at a certain level of loan. And as I recall, and I'm not positive on this at this point, but between $100,- or $150,000, the decision could be made in-house.
Over that, then she would review the loan and would also sign off on it, or approve or reject.
Q And that went for loan renewals or loan extensions also?
A Yes.

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Q Do you recall the level being at least $100,000?
A Yes. I believe it was possibly more than that. But I don't recall right now what the levels were.
Q With respect to Mr. Penick and Mr. Renaud, did they regularly participate in board meetings?
A Mr. Penick was the Chairman and he was a regular participant, but Mr. Renaud was a semi-regular attendee of the board meetings.
Q Can you quantify what you mean by semi-regular?
A Probably in a year's time, he would attend somewhere between seven and ten of the meetings.
Q How frequently would the board meet?
A Monthly.
Q Was there a loan committee of the board of directors?
A Yes.
Q Did Mr. Penick serve on the loan committee?
A No.

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Q Did Mr. Renaud?
A No.
Q What was the discount committee's role?
A I'm sorry, I don't recall we had a discount committee.
Q On loan renewals and loan extensions, what were the requirements for approval by the Officers Loan Committee?
A Excuse me, I'm sorry, would you repeat?
Q Let me rephrase that.
Was there a minimum loan amount --
Let me rephrase that again.
The Officers Loan Committee did not review every loan, is that correct?
A That is correct.
Q What were the guidelines?
A Each officer had an established lending limit. Anything over that limit would come to the Officers Loan Committee.
Q Did the Officers Loan Committee review the extension notes or renewals of the Whitewater loan?
A Yes.

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Q Why was that?
A Because of the amount of the loan. As I recall for a period of time that Mr. Proctor's limit was at $50,000 and the loan was higher than that so therefore it would go through the Committee.
Q Was Mr. Proctor the loan officer responsible for the Whitewater loan?
A When you say responsible, please elaborate on responsible.
Q Was he the loan officer who monitored the Whitewater loan?
A Correct.
Q He monitored it directly?
A Yes.
Q Did Vernon Dewey have any role?
A No.
Q And that was true throughout the time this loan was outstanding?
A That is correct.
Dewey was a consumer loan officer, a junior loan officer that did not handle loans basically of this type.

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Q How long was Dewey at the First Ozark Bank?
A He was there in '86 when I came. Had been there, I believe, a couple of years. And was there probably through the late '80s, up until around 1990.
Q And you're not aware of him ever having any role in the management of the Whitewater loan?
A No. He would review it as a member, as a lender he would see it in the Committee meeting would be all.
Q So just in his role as a member of the Officers Loan Committee?
A Yes.
Q If the Officers Loan Committee decided to extend or renew the Whitewater loan, would it then move on to the Directors Loan Committee?
A No. Because of the size, there was again an escalation in the amount of the loan before it went to the Board Committee.
Q What was that rule when you arrived in 1986?
A I believe it was at the $150,000 level.

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Q And it remained at least at that level?
A Yes.
Q I'd like to show you another record. There's a handwritten number on it. It's a two-page record. The first page is D-149, the second page is D-150. It's entitled "File Notes from Whitewater Development Loan 5855." It's dated January 6, 1987. And has the name Ron Proctor on it.
(Handing document to witness.)
BY MR. NAPPI:
Q Could you take a moment to review this?
(Pause.)
A Okay.
Q Do you recall ever seeing this record before?
A Yes.
Q When did you see this record?
A Probably about the time it was produced in '87, January.
Q Did you ever discuss it with Mr. Proctor?
A I'm sure that we did at the time.
Q Do you recall the circumstances under

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which you saw this record?
A Probably at a general review. I don't recall the specific circumstance.
Q Did Mr. Proctor ever tell you why he felt it necessary to go out in mid-1986 and inspect the Whitewater Development property?
A As an officer handling the loan, it was prudent to do this on not only this but all loans to review from time to time.
MR. BELMAN: I guess I should just state for the record, you said mid-1986 documents. That's mid-December 1986.
MR. NAPPI: Excuse me, I meant to say mid-December.
THE WITNESS: The document is dated in January of '87.
BY MR. NAPPI:
Q Could I direct your attention to the second page.
A Okay.
Q Mr. Proctor makes some valuations as to the unsold property and contracts receivable for this

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development.
A Yes.
Q Did you ever discuss his method of valuation?
A Not specifically that I recall.
Q Were you aware at this time that the unsold property at Whitewater Development Corporation had been transferred to Chris Wade?
A I became aware of that at some time. I'm not sure exactly when, whether it was at this time, prior, or after.
Q Did the transfer of the unsold lots to Chris Wade cause you any concern about the prospects of payment on the loan?
A Not really because the loan was not altered as far as our bank was concerned.
Q Were you aware of the price at which Wade had purchased these lots?
A No, I'm not.
As I recall, there was trading in some personal properties and I don't know how it was valued.

MR. NAPPI: Why don't we go off the record.

(Discussion off the record.)

(Whereupon, at 1:20 p.m., the taking of the deposition was recessed, to reconvene the same day, Thursday, May 2, 1995, at a time specified.)



AFTERNOON SESSION

(2:05 p.m.)

Whereupon,

J. WESLEY STRANGE

was recalled as a witness herein, and having been previously duly sworn, was examined and testified further as follows:

EXAMINATION (Continued)

BY MR. NAPPI:

Q I believe when we went off the record, I was asking you questions about Ron Proctor's filing notes.

If I can again redirect your attention to the last page and the values of the property.

A Okay.

Q Now there are two assets listed, accounts receivable and what notes were receivable, and the underlying property.

A Correct.

Q The notes receivable, I take it, would be the amounts owing on the contract for deed.

Is that correct?

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A Yes.
Q And the land would obviously be the land that the corporation still controlled when it was subject to a mortgage?
A Subject to the mortgage that we still had on the property, yes.
Q Now, if Whitewater had transferred the remaining unsold lots to Ms. Wade, it would be an asset for the purposes of the bank as far as security. It would no longer be an asset of Whitewater Development Corporation, is that correct?
A I would assume that to be correct.
Q With that in mind, I'd like to redirect your attention to this December 31st financial statement of Jim and Susan McDougal.
Why don't I give you this copy?
(Handing document to witness.)
THE WITNESS: Okay.
BY MR. NAPPI:
Q Now they valued their stock in Whitewater Development Corporation at $53,400.
A Correct.

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Q It would stand to reason, if they had released property to Wade, that the value of their stock would be the accounts receivable and the contract for deed.
A I'm not privileged to know what the transfer entitled or how it was handled.
Q But if it was a transfer of value for value, and Wade had assumed the obligation to pay down that part of the mortgage, then the McDougals, as shareholders of Whitewater, would not be entitled to take that property or to consider that property your asset.
MR. PORTNOY: Doug, I'm going to object here.
Mr. Strange has observed that he has no information about the specifics of this transaction.
MR. NAPPI: I put it to Mr. Strange, I'm asking Mr. Strange for his opinion as a banker, as a man experienced in real estate financing.
MR. BELMAN: Before you answer, I'm unclear. I don't know what you're talking about here, but one of these is dated December '86 and one

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is dated December '85. Does the transfer you're talking about take place before or after this December '85?

I'm confused. I thought we were talking about contemporaneous statements here, but I see now, that I'm examining them, one is a year before the other.

If you could clarify that.

MR. NAPPI: The transfer had taken place before December of 1985.

MR. BELMAN: So you're representing to Mr. Strange that that's when it took place?

MR. NAPPI: Right.

MR. PORTNOY: I'm still going to object to Mr. Strange testifying about a transaction when he doesn't know the details of the transaction.

MR. NAPPI: I'm not asking him to testify as to the details, I'm asking for his opinion.

MR. PORTNOY: The problem is you're asking for his opinion based on the transaction as you have laid it out. I just want the record to be clear that this is based on your representation and not based on

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any understanding of the transaction that your representations may or may not accurately reflect what actually occurred.

MR. NAPPI: Absolutely. Okay.

MR. PORTNOY: In other words, this is a completely hypothetical question.

THE WITNESS: Could you restate the question, please?

MR. NAPPI: Could you re-read the question?

(Readback.)

THE WITNESS: Not being privileged to the specific transfers, hypothetically when a corporation transfers assets, it would reduce value unless there was offsetting assets taken in to offset that value.

BY MR. NAPPI:

Q I recognize that you are not intimately knowledgeable about the facts in the Corporation's operations.

If I can show you another financial statement. This one is somewhat more contemporaneous in time. Unfortunately, it is not Bates stamped but

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it's a form of personal financial statement. It's a three-page document, actually it's got a handwritten notation D169 in the right hand corner, and it's marked Twin City Bank.

(Handing document to witness.)

BY MR. NAPPI:

Q Could you take a moment to examine that?

(Pause.)

Have you had an opportunity to review it?

MR. BELMAN: I have a question about this document that I would like to ask the witness about. Could you excuse us for a moment?

MR. NAPPI: Sure.

(Discussion off the record.)

MR. NAPPI: Back on the record.

MR. BELMAN: We are not sure that these documents are one document.

First of all, the cover page, which is identified D-169, has a date of it looks like March 29. The other document is dated, the second two pages are dated March 24.

MR. NAPPI: Can we focus on the first

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page?

MR. BELMAN: Yes. I do want to state for the record that the first page is the first page of the document that we provided to Mr. Brenner by my letter of April 24, 1996, with a second page that we believe is the correct second page to this document, at least as it resides in the files of the Mercantile Bank.

And we think at least that that is the document in its totality, so we're unclear what these two extra pages are.

Maybe you know the answer to that, but maybe we could clarify what the document is or at least is represented to be before we address the questions.

MR. NAPPI: You know what I'll do then? I will focus on the first page.

MR. PORTNOY: Do you have the second page with you?

MR. BELMAN: Oh, yes. I sent it to Mr. Brenner.

MR. NAPPI: Let's go off the record.

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(Discussion off the record.)
MR. NAPPI: Let's go back on the record. We're going to work by the copy that we've been provided by the witness' counsel.
The personal financial statement dated, I read it to be March 24, 1987, for Hillary and Bill Clinton.
BY MR. NAPPI:
Q Mr. Strange, have you seen this record before?
A Yes, I have.
Q Do you recall when you first saw it?
A Approximately March of 1987. I don't remember the exact date but it would have been in March some time.
Q Do you recall the circumstances in which you saw it?
A Yes.
Q Could you elaborate?
A I had seen, we were working on the note of Whitewater to effect a renewal. We needed the Clinton's statement. I had asked Mr. Clinton, he was

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on a campaign swing through and I'd seen him at a reception, and asked if he would contact me in regard to the loan. He said he would.
Actually, Mrs. Clinton made contact a month or so later, a few weeks later. I explained that we needed their financial statement, and this arrived. It appears that it came in actually on 3/26. Mr. Proctor's initials at the top of the page there would indicate 3/26. So that would have been when the document would have come in house.
He reviewed it, probably told me that it was in the file at that time. I don't recall whether I specifically reviewed it in detail then or not, but knew that we had the statement on file.
Q Did Mr. Proctor discuss any concerns he had with this financial statement?
A Not that I recall today.
Q You say you saw then-Governor Clinton at the campaign event?
A Correct.
Q And you mentioned it to him?
A Right.

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Q Did you later relate that to Susan Sisk?
A I'm not sure whether I did or not. It's very possible that because of the renewal being involved that a statement was made that we were waiting on the Governor's financial statement, and I may have said that I had seen him and had asked for, I don't think I actually asked for the statement at that time because it was a public gathering. I just said I would visit with him and that was basically what took place.
Q You asked the Governor for this at a public event. Was it a matter of some concern that you did not have this financial statement?
A I had not visited with him, had seen him for some time. As I recall, Mr. Proctor had possibly tried to acquire the statement and when I saw him passing, and in greetings, I mentioned that I'd like to visit with him about the loan. And that was it.
Q Did Mr. Proctor seem concerned that he'd not obtained a statement?
A Ten years later I don't recall his degree of concern.

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Q Do you recall it being a problem obtaining this financial statement?
A Not really. I mean, you know, a degree of a problem. Asked and received, a span of time in between, you know, I did not lose any sleep over not having it in immediately.
Q Were you aware at this time, this time being March of '87, that James McDougal had some regulatory problems at Madison Guaranty?
A I don't recall that I did.
Q Were you aware that he was having financial difficulties?
A No.
Q Do you have any recollection of why it was such a concern getting his financial statement?
MR. PORTNOY: I believe Mr. Strange testified that it wasn't such a concern. I believe he testified to the contrary that it was not a particular concern.
THE WITNESS: I don't put a great concern in not getting the statement. I mean I do not recall it being of any great concern that we did not get the

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statement or did not have the statement or whatever.
BY MR. NAPPI:
Q Why would a bank want a personal financial statement in the credit file for a loan like the Whitewater project?
A Because he was one of the guarantors. On any small, closely held corporation, you normally required stockholders to sign guaranteeing the loan and you want to know what the value of that guarantee is.
Q So it helps you establish, for a closely-held corporation, its true economic wherewithal.
A Sure, yes.
Q And it would be helpful in a decision whether to renew a loan or extend a loan?
A Correct.
Q If we could focus on the financial statement for a moment, on the asset side of the balance sheet, we have one asset which is accounts/notes receivable valued at $50,000. And another asset, real estate partial interest valued at $50,000.

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A Correct.
Q And then you refer back to the schedule?
A Correct.
Q And the schedule specifies accounts and notes receivable and it says, I think it's a reference to Whitewater.
MR. BELMAN: Where are you reading?
MR. NAPPI: I'm on Schedule E.
THE WITNESS: As I interpret that it's something Whittaker, possibly a second mortgage over five years, 50,000.
BY MR. NAPPI:
Q Do you know that from your experience?
A No, I do not know if that in fact is a second mortgage. I'm not knowledgeable as to who it is.
Q The partial interest in real estate, if you look at Schedule G on the second page, there's actually no description of it.
A That's correct.
Q I assume there was just a mistake made in filling out this form and that Schedule F contains

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the pertinent information, if you will.
A If that's your assumption, okay. Obviously G did not reveal anything from the back side. There is a figure under G on the front side.
F has values placed in it.
Q Was this your standard form of personal finance statement at First Ozark?
A Yes.
Q Do you know why it contains the Twin City notation at the top?
A We all used the same form and for whatever reason, of which I'm not sure why that was, they may have picked up a form at Twin City Bank in North Little Rock.
Q Again, I'd like to take advantage of your experience in banking and ask you about the valuation of real estate, the $50,000 valuation of real estate.
Again, if you have a corporation that has two assets, real estate and notes receivable, if the real estate is transferred value for value, would it be your experience that that corporation would not be entitled to include that as an asset?

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MR. PORTNOY: Doug, I'm going to object to the entire line of questioning. Mr. Strange is here as a fact witness, not as an expert witness on the valuation of real estate, corporate assets, or anything else of the kind.
If you want to ask him about specific transactions as to which he has knowledge, that's fine. But I think it's inappropriate at this point to ask him to speculate on the basis of information that's not available to him.
MR. NAPPI: I'm not asking Mr. Strange to confirm the information on this. I, for one, am not experienced in preparing or reviewing financial statements for commercial real estate developments.
I think Mr. Strange probably does have some experience there. I was just asking for his opinion.
I understand that he does not have the entire factual predicate of the Whitewater Development Corporation in front of him.
BY MR. NAPPI:
Q Do you feel you can answer the question?

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MR. BELMAN: Go ahead and finish your colloquy because I have a question.

MR. PORTNOY: What I continue to object to is treating Mr. Strange as an expert witness on the subject of valuation of property. Mr. Strange is here as a fact witness.

If you want to bring in banking experts or property valuation experts, that's a different matter.

BY MR. NAPPI:

Q Let me ask you this question, Mr. Strange. Under Arkansas contract for deed financing, once a contract for deed is entered into, the seller has an asset which is an account receivable. Is that correct?

A Yes.

Q Are they also entitled to claim the value of the underlying property as an asset?

A No. You would have one asset.

(Pause.)

Q You say you had mentioned the need to Governor Clinton for a financial statement. Was that

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the first time you had met Governor Clinton?

A I don't recall. It would be one of the first times.

Q Other than that, had you ever had dealings with Governor Clinton relating to the Whitewater Development Corporation?

A I don't believe that I had directly, no.

Q Do you know if anyone else at the bank or any member of the bank's board of directors did?

A I'm assuming that Mr. Proctor had because he was handling the loan, and Mr. and Mrs. Clinton were on the loan obviously so he would have had contact with them.

Q What about Mr. Penick?

A Not that I know of.

Q And Mr. Renaud?

A Not that I know of.

Q Did Mr. Renaud's brother work for First Ozark?

A For a short period of time, yes.

Q Do you know if he had contact with Governor Clinton regarding the Whitewater loan?

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A That's prior to my tenure there, so I don't have any knowledge.
Q You say that you made the request to Governor Clinton.
MR. NAPPI: Let's go off the record.
(Discussion off the record.)
THE WITNESS: The request was to discuss about the loan, not specifically to discuss any details about the loan.
BY MR. NAPPI:
Q What's the distinction you're making? Could you elaborate?
A The distinction, I did not ask him for a financial statement or any particular document. I said if he had a moment in the future, that he could contact me to discuss the loan.
Q Okay. Mrs. Clinton contacted you with regard to the loan?
A As I recall, that's right.
Q And that was in March of '87?
A No, it would have been later in the fall of '86.

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Q Was this the first contact you'd had with Mrs. Clinton?
A I believe it was, yes.
Q Could you tell us what the conversation you had with Mrs. Clinton?
A At this point, I don't have a recollection of specific details.
Q Did it take place over the telephone?
A As I recall, it did.
Q Do you recall how long the conversation was?
A I'm sorry, no.
Q Do you recall if she seemed knowledgeable about the Whitewater Development loan?
A As I recall, there was no detailed discussion about the loan. It probably entailed something to the effect that what we needed. I asked her if she could provide us with their financial statement. I may or may not have explained the last time why we needed it. It would not have been a lengthy conversation I'm sure.
Q Subsequent to that conversation, did you

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have other contacts with Mrs. Clinton regarding the loan?
A Yes.
Q Do you recall when the next contact was?
A Not really. Not specifically.
Q Do you recall any specific contacts?
A Any time frames, no. We had contacts, there were times that she had requested documentation from the loan. I think I supplied that.
There was some written communication from time to time where she had requested documentation. I think at one point they were working on their taxes and needed some information which was supplied to them.
Q Did Mr. Penick ever mention discussions he may have had with Mrs. Clinton?
A No.
Q Mr. Renaud?
A No.
Q Did Mr. Proctor?
A Did Mr. Proctor what?
Q Ever discuss contacts he had with Mrs.

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Clinton regarding the loan?
A He may have, but they were not significant enough that they were ingrained in my memory to the point that I can recall them.
MR. PORTNOY: Sir, does that mean that you can't recall whether such contacts occurred or you can't recall whether you were made aware of the content of the discussions?
THE WITNESS: Correct.
MR. PORTNOY: The latter?
THE WITNESS: Both probably. That is to say I don't recall that there were discussions, or if there were discussions, that I might or might not have been made aware of.
BY MR. NAPPI:
Q Could I show you another document? It's a multipage document entitled First Ozark National Bank Officers Loan Committee Minutes, and it's dated, I can't make out the specific day. It's in 1987.
(Handing document to witness.)
MR. NAPPI: Mr. Portnoy just pointed out that his copy indicates that it's January 8, 1987.

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(Pause.)
BY MR. NAPPI:
Q I'd like to focus your attention on the second page.
A Okay.
Q First of all, do you recall ever seeing this document?
A It would be part of the file in the bank, yes.
Q Do you have a specific recollection of ever reviewing this record?
A I'm sure that I did, but I don't have specific recollection of reviewing it or questions at the time.
Q Do you recall this January 8, 1987 meeting?
A Sorry, I don't.
Q If you'd like to direct your attention to the second page and the item Whitewater Development Company.
A Okay.
Q It says, risk rating 3.

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A Yes.
Q What does that mean?
A A 3 rating in our bank were those loans that are the traditional normal risk loans. We had a risk rating of 1 through 6. Three would be a very normal loan.
Q So not a top performer but not a loan that you're going to write off?
A A 1-rated loan typically would be a government guaranteed loan, a CD guaranteed loan. Three would be normal. Four would be watch. Five substandard. Six doubtful. Those are terminologies used by the regulatory bodies.
MR. PORTNOY: I'm sorry, could you state again what 4, 5, and 6 are?
THE WITNESS: Four would be watch, 5 substandard, 6 doubtful.
BY MR. NAPPI:
Q So it parallels like what the OCC rates.
MR. PORTNOY: Could I have the 1 and 2 terminology?
THE WITNESS: A 1-rated loan would

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normally be a government guaranteed backed loan, CD backed. Some type of liquid securities.

Two would be something slightly less than that but obviously a low percentage-to-value loan, high equity, strong repayment capacity.

Three was a very typical then loan.

BY MR. NAPPI:

Q Do you recall if at any time this loan received a risk rating below 3, 4 or 5?

A No.

Q Did it ever receive a rating of 1 or 2?

A Not that I'm aware of.

MR. PORTNOY: Again, sir, I apologize for interrupting but I wasn't sure whether you were saying, don't remember whether it ever received a rating of 4 or 5, or whether you remembered that it did not.

THE WITNESS: No, it did not.

MR. PORTNOY: Thank you.

BY MR. NAPPI:

Q The next record I'd like to direct your attention to is a guarantee executed by Bill Clinton

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and Hillary Rodham Clinton dated March 26th.

A Is that '87?

Q '87, excuse me.

(Handing document to witness.)

BY MR. NAPPI:

Q Attached to the back is actually a copy of a telephone message.

A Okay.

Q If I could direct your attention to the telephone message first. It appears to be a message from Ron Proctor to HRC.

Do you recall Ron Proctor ever telling you, during this time, this time being the spring of '87, that he had reached out to Mrs. Clinton for a guarantee?

A No.

Q Do you recall him ever saying he had any problems obtaining a guarantee?

A Not that I recall.

Q Do you recall anyone associated with the bank ever expressing concern that you were asking the Clintons for a guarantee?

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A Not that I'm aware of.
Q Did the Clintons ever express concern about providing a guarantee on this loan?
A Not that I'm aware of.
MR. BELMAN: Just for the record, the document we've been looking at this three pages. The first page appears to be a guarantee by the Clintons, the second page is a guarantee by the McDougals, and the third page is this note. These aren't in somebody's files all together, are they?
These are three separate documents, right?
MR. NAPPI: Right. I'm not alleging it's one document.
MR. BELMAN: I wasn't saying so. I just wanted to clarify the record, especially since we're not attaching these things. I want to make clear what we've got.
MR. NAPPI: Fair enough.
(Pause.)
BY MR. NAPPI:
Q The next record I'd like the witness to examine is Directors Loan Committee Minutes from

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December 7, 1987.
(Handing document to witness.)
(Pause.)
THE WITNESS: Okay.
BY MR. NAPPI:
Q The bottom of the page, document deficiency reviews. Do you recall why the requirement for financial statements on the McDougals was waived?
A Yes.
Q Would you elaborate, please?
A As stated there, the payments on the escrow was being controlled and made to the bank, the loan was being reduced, the collateral seemed to be sufficient to cover the loan, and we had the guarantees of the Clintons and the McDougals.
Q Why was it not waived for the Clintons, do you recall?
A Because we were still in contact with the Clintons, and at that time, the McDougal's marriage was falling apart and we could not get them to respond.

Q So it was a question of not being able to contact them?
A Right.
Q The next document is entitled "Request for Loan Documentation Waiver." It's got the serial number D-181.
(Handing document to witness.)
MR. BELMAN: Do you want to put a date in on that, July 15th, 1988?
MR. NAPPI: Yes.
BY MR. NAPPI:
Q Do you recall seeing this record?
A Yes.
Q Do you recall the circumstances?
A As I recall, yes.
Q Could you elaborate?
A The document requests a waiver of personal financial statements on the Whitewater loan. The reason for that was that the payments were being derived from the escrow contracts, and we still felt that we had sufficient collateral in the unsold lots and the escrow contracts to cover the amount of the



note which, at that time, as I recall, was in the something under $50,000 level.
Q Do you recall whether the personal financial statements on the guarantors were waived in this situation?
A I believe that's what the document calls for is personal financial statements of the guarantors were waived.
Q It's a request from Proctor, is it not?
A Right. And I approved that.
Q So then it would have been waived?
A Yes.
Q For all guarantors?
A Yes.
Q Including the Clintons?
A Yes.
Q Do you recall why there was a waiver for the Clinton's financial statements?
A The same reason as there was for the McDougals at this time. The loan was performing and had sufficient collateral from the corporation.
Q Wouldn't you want financial statements

again to verify the financial wherewithal of the people who stood behind the closely-held corporation?
A At this point, with the amount of the loan, as it continued to pay down, we did not deem it to be necessary.
(Pause.)
Q I'd now like the witness to examine a record. It's an April 12, 1988 letter from J.W. Strange to Hillary Clinton with attachments.
(Handing document to witness.)
BY MR. NAPPI:
Q That has two pages of attachments and has a Bates stamp number CBF-0408 through 0410.
A Okay.
Q Do you recall drafting this letter?
A Yes.
Q The letter references a phone conversation. Do you recall that phone conversation?
A Vaguely.
Q Can you?
A As I recall, Mrs. Clinton called me and asked if I could put together the information that I



sent to her for some tax question or tax preparations that they were working on.
Q Was this the first time you had spoken to Mrs. Clinton since you had talked to her in 1987?
A I'm not sure. It may have been.
Q Why did Mrs. Clinton call you and not Mr. Proctor?
A I'm not sure. It could very well have been that he was out of the bank at the moment, and she talked to me, so therefore I handled it.
Q Had anyone ever expressed any concern regarding the way Mr. Proctor administered the Whitewater loan?
A No.
Q Who compiled the data that's attached to the cover letter?
A I'm not sure. One of our clerks probably in the loan department.
Q Would this have included all outstanding escrow accounts during 1987?
A It should have, yes.
Q And the escrow accounts were for the

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contract for deed owners?
A Right.
Q Some of these are designated "no activity during 1987." Would that mean there were no payments of interest or principal?
A That's correct.
Q Some of the balances actually increase from January of '87 to December of '87.
Could you explain why that would occur?
A I don't know.
Which specific --
Q Let's take Stanley Yancy, the first listing under escrow.
A I don't know.
Q Does that seem odd for this kind of account to accumulate a balance?
A If the interest was accruing at a rate that was not sufficient to meet principal and interest, it very possibly could.
MR. PORTNOY: I'm sorry, sir, could you restate what you just said? I don't think I understood you.

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THE WITNESS: The interest rate accrued during the year would have been more than the amount paid on it.
MR. PORTNOY: In other words, the payments would be less than the amount due based on interest rate?
THE WITNESS: Correct.
MR. PORTNOY: Is that a concept sometimes called negative amortization in connection with mortgages?
THE WITNESS: It could be. I don't know that that term was applied to these particular loans. Negative amortization, I don't really understand the term that well, but it would be a negative, that's right.
(Discussion off the record.)
MR. BELMAN: Just for the record, I guess there's one instance where that happened. Was there another instance?
MR. NAPPI: M.D. Blair.
THE WITNESS: I'm sorry?
MR. BELMAN: I think that one does --

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MR. NAPPI: You're right, I stand corrected.
MR. PORTNOY: It also should be noted for the record that Mr. Yancy has two accounts, or appears to have two accounts.
BY MR. NAPPI:
Q Would this record provide an accurate snapshot, as of December 31st, 1987, of the total value of accounts receivable outstanding to the Whitewater Development Corporation?
A Possibly not.
Q How might it not?
A These are the escrows that we had pledged to the loan. There may have been other accounts out there that we were not aware of or did not have pledged.
Q So you did not have all escrow accounts pledged to it?
A I'm not sure.
MR. BELMAN: Maybe I should interject this. I think what's happened with Mr. Yancy is that they've reduced the figures. If you add $11,198.63

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to the amount of principal paid during 1987, $1620.13, you wind up with $12,818.76. Given the fact that those numbers coincide to the penny, it appears to me that what happened is whoever typed this up just reversed the balance as of 12/31/87 and the balance of 1/1/87.
Now I'm not here to testify, I'm just saying that.
MR. NAPPI: Speaking out of common sense and basic arithmetic skills.
MR. BELMAN: That's exactly what happened, that that one was reduced as well.
MR. PORTNOY: It should be noted that Mr. Yancy's other account does show a reduction and that the entries are precisely equivalent to the process you've just described, total principal paid plus the remaining balance equals the balance that was due at the beginning of the year.
(Discussion off the record.)
MR. NAPPI: Let's go back on the record.
BY MR. NAPPI:
Q The next document I'd like to direct your

attention to is a letter on the Rose Law Firm's stationery dated June 9th, 1988. It's a letter to the McDougals from Hillary Rodham Clinton. It references you and a conversation you had with Mrs. Clinton.

Do you recall having a conversation regarding corporate resolutions with Mrs. Clinton?

A I believe I did, yes.

Q Did you just have one conversation?

A As far as I know.

Q What was the problem at that point? Was it again that the McDougals were?

A The McDougals were out of contact. We could not contact them. And I had called and asked Mrs. Clinton if she could intercede for us to get us some help.

Q By this time, June 9, 1988, was Mrs. Clinton your contact person for Whitewater Development Corporation?

A Correct.

Q You would contact Mrs. Clinton rather than try to contact Governor Clinton?

A That is correct.

Q When did that situation obtain? Was Mrs. Clinton always your primary contact with respect to this loan?

A Yes.

MR. PORTNOY: Is that as opposed to Mr. Clinton or as opposed to Mr. Clinton, Mr. McDougal and Mrs. McDougal?

Was there a time when the McDougals were your primary contact?

THE WITNESS: No.

MR. PORTNOY: So it was always Mrs. Clinton?

THE WITNESS: Yes.

(Pause.)

BY MR. NAPPI:

Q The next item I'd like you to look at is a First Ozark National Bank letter of July 19, 1988. It appears to have been signed by the witness.

(Handing document to witness.)

BY MR. NAPPI:

Q Do you recall drafting this letter?

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A Yes, I do.
Q What prompted you to draft this letter?
A The note had matured and we had attempted to get it renewed. And at that time, the resolution was that it calls for the McDougals' signature and we were trying to get it renewed. That was the reason for the letter.
Q Was there a concern about this loan being past due?
A It was not past, past maturity, technical term.
Q The letter says to get it off the past due status.
A Right.
Q What does that mean?
A That means that it had reached maturity. The note had continued to be paid as scheduled, but the official note had actually expired.
Q Was that a matter of concern?
A Yes.
Q Was there any discussion about calling the note at this time?

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A No.
Q Do you ever recall any meetings of the Officers Loan Committee where any loan officer suggested that this loan should be called?
A No.
Q Do you recall Ron Proctor ever expressing concern about the status of this loan?
A Other than the maturity, that it was past maturity and we needed to get it renewed, no.
Q But you don't recall him saying anything like, maybe we should call this loan?
A No.
MR. PORTNOY: Can you recall Mr. Dewey ever suggesting that the loan should be called?
THE WITNESS: Never.
BY MR. NAPPI:
Q Do you recall Mr. Dewey ever expressing concern about the loan?
A Never.
(Pause.)
Q I'd now like the witness to look at a record again. It contains a handwritten designation

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DI-92. It's a June 8, 1990 letter on Ozark National Bank stationery. It appears to have been signed by the witness.

(Handing document to witness.)

THE WITNESS: Okay.

BY MR. NAPPI:

Q Do you recall writing this letter?

A Yes.

Q Do you recall the circumstances that led you to draft this letter? Obviously it's an enclosure letter with some documents.

A Correct. It was again the phone call from Mrs. Clinton requesting the basic content of the credit file that she was, for whatever reason, getting information put together. I think that there was some discussion between the Clintons and the McDougals about payments or what not that she was working on.

Q Do you recall what the discussion was?

A She did not elaborate on that that I recall.

Q Did it seem like a dispute or just trying

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to resolve?

A I don't specifically remember but I don't recall any irritation, dispute type of comment that she would have made to me. More of a resolution.

Q At this time, June of 1990, was Mrs. Clinton still your primary contact person on this loan?

A Correct.

Q Were the entire contents of the credit file provided to her?

A No. As indicated in the letter, some of the bulkier items, deeds of release, etcetera, was not provided, that she had indicated that she did not need.

Q Did she indicate what she needed?

A I think the payment records, the escrow balances, these types of documents.

Q Did she mention any copies of financial statements?

A I don't recall that she did.

Q Did she mention why she needed these records?

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A As previously stated, they were working on something, as I recall, between the McDougals and the Clintons.
Q Did you provide copies or originals?
A Copies.
Q Was this an unusual request in your experience?
A Not particularly unusual. Several times borrowers will want to come back and obtain the exact records that their banks have.
Q Was this the only time she came to you for records?
A No, I don't believe so.
I believe an earlier letter that we looked at had requested some documents for her tax return purposes.
Q But I mean, -- excuse me, I apologize. Other than that earlier request.
A As I recall, that is yes.
Q The next item I'd like you to look at is a March 4, 1992 unsigned letter from Hillary Rodham Clinton.

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(Handing document to witness.)
BY MR. NAPPI:
Q Do you recognize this record?
A Yes.
Q Do you recall a discussion prior to receiving this record with Mrs. Clinton?
A I don't recall that I do. I think the document came into the bank, she may have called and verbally said that she was sending it. As I recall, Loretta Lynch was a secretary for either she or Mr. Clinton and again they were working on documentation for some reason.
Q Did she explain why they were trying to amass documentation?
A Not specifically as I recall. This was either in a period of time that the presidency was being decided or what not, and they were going through it for whatever reason. I don't know.
Q Did you ever have any contact with Loretta Lynch?
A Yes.
Q Did she call you or did she come up?

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A I never met with the lady in person. As I recall, my contact was probably twice with her by phone requesting documentation.
Q Do you recall what documents she requested?
A Not specifically. I think again basically the documents, the renewal notes, the payment records, etcetera.
Q Did she ever request financial statements?
A Not that I specifically recall.
Q This '92 request, was it the first such request you'd received from Mrs. Clinton since the 1990 request that we just went over?
A I believe that's right.
Q In the intervening time period to 1992, Mrs. Clinton remained your point of contact?
A As far as I know.
MR. PORTNOY: Does that suggest that there actually was a contact?
THE WITNESS: Not that I'm aware of.
BY MR. NAPPI:
Q You don't recall?

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A I might have a record in the file.
MR. PORTNOY: When Mr. Nappi asked you if Mrs. Clinton remained a key point of contact, that means that nobody supplanted her but it doesn't necessarily mean you spoke with her?
THE WITNESS: That is correct.
(Pause.)
BY MR. NAPPI:
Q The next record I'd like to show you is Bates stamped DKSN 029771.
Before we move on, you were under the impression that Loretta Lynch was an assistant or a secretary?
A That was my understanding.
Q How did you come by that understanding?
A From Mrs. Clinton. It may have been that when I talked to her personally, that that's how she identified herself too, but I can't be positive of that.
(Handing document to witness.)
BY MR. NAPPI:
Q Why don't you examine this record.

(Pause.)
BY MR. NAPPI:
Q Can you identify this record?
A Not specifically.
Q Why do you say not specifically?
A Well, it first of all is the bulk of the record is very blurred and unreadable. The first two pages I do not recognize at all. The following pages are what appears to be records of payments on the Whitewater loan but they are so blurred that it's difficult to track specifically.
Q Fair enough.
I'm not going to ask you to track it.
A Thank you.
Q The fax heading, if you will, on pages where it is actually legible, indicates it's First Ozark National Bank, is that correct, First National?
A Okay, yes.
Q Do you recall being requested to provide this kind of data for a computer printout of loan history at any time in -- this is 1992, other than to



Mrs. Lynch, by Loretta Lynch?
A Not that I'm aware of. That's our fax number.
MR. PORTNOY: Were you indicating that the fax footprint shows a date of 1992?
MR. NAPPI: Yes.
MR. PORTNOY: Thank you.
MR. NAPPI: I guess we can move on at this point.
THE WITNESS: Okay.
BY MR. NAPPI:
Q Do you recall a time in 1987 when the Arkansas State Legislature considered intercounty branching legislation for banks in counties with populations over 200,000?
A I recall that there was legislation going on, yes, I recall.
Q Do you recall if TCB or TC Bankshares had an interest in this legislation or was supporting its passage?
A I don't recall whether they were or were not. Specifically it was an issue in the state and

the banking industry, but I don't recall specifics about who supported it or who opposed it.

Q Did you ever discuss this legislation with anyone associated with TC Bankshares?

A Not that I'm aware of.

Q Do you recall in 1988 a special session of the Arkansas legislature where the Omnibus Banking Bill was taken up?

A I believe I do.

Q Do you recall if TC Bankshares had a position in support of this legislation?

A I think they did, yes.

Q Do you recall discussing this legislation with anyone associated with TC Bankshares?

A As I recall, I did, because Flippin was trying to obtain a branch in one of the neighboring counties and it had some specific interest at that point.

Q Do you recall who you spoke with?

A I would assume, I don't know, possibly Ed Finney who was the Chairman of Whitewater.

Q During this time period, '87 and '88, you



previously testified that the board would not have to consider renewing or extending the Whitewater loan, is that correct?

A That's correct.

Q Do you recall during this time period, Ed Penick or Mr. Renaud making inquiry regarding the Whitewater loan?

A No.

Q Mentioning that they'd talked to the Clintons about the Whitewater loan?

A No.

Q Did Susan Sisk ever make inquiry regarding the Whitewater loan outside of any discussion of renewals at the Officers' meeting?

A No.

MR. PORTNOY: Question just to clarify Mr. Strange's answer.

Mr. Nappi asked you if you recalled whether Mr. Penick or Mr. Renaud made any inquiries about the Whitewater loan. And your response was no.

Does that mean you don't recall it occurring or you recall it did not occur?

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THE WITNESS: I do not recall it occurring. I do not believe that it did occur.

MR. PORTNOY: Thank you.

BY MR. NAPPI:

Q Did anyone associated with TC Bankshares, and by that I mean that would include Mr. Penick, Mr. Renaud, Susan Sisk, Margaret Davenport, or anyone else you might have come into contact with associated with TC Bankshares, ever provide you with information or comments regarding the Whitewater loan that they said had been conveyed to them by the Clintons?

A No, they did not.

Q Did anyone from the Arkansas Governor's office ever contact you regarding the Whitewater Development loan?

A As far as I know, I never had any contact with the Governor's office direct about this loan.

Q Indirectly?

A Through Mrs. Clinton. I don't know how indirect or direct you'd determine that to be.

Q So you never had any conversations with Betsey Wright?

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A No.

Q Sam Bratton?

A No.

Q Did you ever have any conversations with Bill Ford regarding the Whitewater loan?

A No.

Q Marlin Jackson?

A No.

MR. NAPPI: I have no further questions.

(Recess.)

EXAMINATION

BY MR. PORTNOY:

Q Good afternoon, Mr. Strange. My name is Jim Portnoy. I'll ask a few questions to supplement those Mr. Nappi has asked.

Starting first with the branch banking legislation, it's been suggested that there was some connection between your bank's treatment of the Whitewater loan and the branch banking legislation.

Do you have any reason to believe that to be true?

A None whatsoever.

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Q Did anyone ever suggest to you that you should provide some kind of special or preferential treatment for the Whitewater loan in return for the Governor taking or not taking a position with respect to legislation?

A No.

MR. NAPPI: Any legislation?

MR. PORTNOY: Any legislation.

THE WITNESS: No.

BY MR. PORTNOY:

Q Did anyone ever suggest to you that you should afford the Whitewater loan any kind of special or preferential treatment for any reason?

A To the contrary, I think it was treated very non-special so that it would not come under criticism that it was given special treatment.

Q Did anybody from Twin City Bank or the parent company ever inquire of you in any way about the status of the Whitewater loan during the period 1987-88 when the legislation was being considered?

A No special inquiry was ever made.

As we reviewed the loans and ratifications

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at the board meetings there might have been an inquiry as to the status of it but never in regard to any legislation.

Q So any inquiry about the loan would have occurred in the normal course of business?

A That's correct.

Q And it would have occurred at a loan officers meeting or directors of the loan committee meeting?

MR. NAPPI: To the best of your recollection.

THE WITNESS: That's right.

BY MR. PORTNOY:

Q You've indicated that you first learned about the Whitewater loan when you looked at a document deficiency list.

Did I understand you correctly, sir?

A No, I don't believe that was correct.

My review of all loans, when I went into the bank, I would have come across it at that time.

Q And at that time, did anybody indicate to you that there was any particular problem with the

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Whitewater loan?
A No.
Q At that time, did you have any reason to think that the Whitewater loan was anything other than just another loan in the bank's portfolio?
A No.
Q There did come a time, though, that you saw the Whitewater loan on a document deficiency list?
A That is correct.
Q I believe you testified that you don't have a specific recollection of seeing the loan on a list, but you believe that you did.
Is that correct?
Or do you actually have a recollection of seeing the loan on a list?
A I think it was actually on a documentation deficiency list that we kept at the bank.
Q Are you aware of any documents that were missing from the loan file with the exception of financial statements at some point?
A No.

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Q Is it particularly rare for a loan to find its way to a document deficiency list?
A No. Because of the documentations that are required, a lot of those are annual statements, and they will run past due, so it's not a rarity.
MR. NAPPI: Is it a rarity in a commercial real estate loan like this?
THE WITNESS: No.
BY MR. PORTNOY:
Q So a document deficiency is something that the bank wants to correct but it's not a red flag, for example?
A Correct.
Q Sir, we've been told that the usury laws in Arkansas in the mid-to-late 1980s made long term loans difficult.
Do you have a recollection about that?
MR. NAPPI: What do you mean, we've been told?
MR. PORTNOY: Let me state the question differently.
BY MR. PORTNOY:

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Q Do you have any recollection of whether loans were commonly structured as one-year renewable loans in order to accommodate Arkansas' usury laws?
A Correct, they were.
Q Would you explain that, sir?
A To eliminate interest risk because of the usury structure within the law, it was not uncommon to structure from 24 months or less. Normally those would be in the 12 to 18 month structure.
Q Usury laws are limits on the interest rate that can be charged?
A That is correct.
Q And the State of Arkansas had in effect in the 1980s a usury law that limited the rate of interest that a bank could charge?
A That is correct. The only thing exempt was residential real estate.
Q Commercial real estate was not exempt?
A That is correct.
Q So there was a limit on the interest rate that the bank could charge on the Whitewater loan?
A Correct.

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Q Is it typical to charge a higher interest rate for a longer term loan?
A Yes.
Q So a shorter term loan would have a lower interest rate?
A That is correct.
Q If the usury laws precluded the bank from charging a high interest rate, did that make it difficult for the bank to write long term loans?
A Yes.
Q I believe you just testified that to get around this problem, the bank would typically or commonly write relatively short term loans of 24 months or 18 months or maybe 12 months?
A That is correct.
MR. NAPPI: Can I ask a question?
MR. PORTNOY: Certainly.
MR. NAPPI: Did the situation regarding the usury laws for corporate real estate loans change at any point?
THE WITNESS: It changes every time the discount rate changes. Arkansas usury is based upon

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the discount 500 basis points, five percent over discount.

MR. NAPPI: But at one point, and correct me if I'm wrong, there was a ten percent cap at one point on the usury cap if you charged more than ten percent on a loan?

THE WITNESS: It's very likely if the discount rate was five percent it would be, right.

MR. NAPPI: One other point to clarify for the record. The record probably speaks for itself but you were not employed by Citizens Bank of Flippin when the loan was originally underwritten, right?

THE WITNESS: That's correct.

MR. NAPPI: So your testimony regarding interest rates would again be just experience in banking?

THE WITNESS: I'm not sure that I understand the question.

MR. NAPPI: It's because I phrased it rather poorly.

Mr. Portnoy had asked you about trends, relationships between term of loan and interest rate

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charged.

THE WITNESS: Right.

MR. NAPPI: Again, you're testifying as to your experience?

THE WITNESS: That is correct. One of the values of money is time.

BY MR. PORTNOY:

Q To sum up, sir, there was nothing unusual about the term of the Whitewater loan, was there, sir?

A No, sir.

MR. BELMAN: You mean the term in terms of years?

MR. PORTNOY: Length.

THE WITNESS: I took it to be length of maturity, nothing unusual.

BY MR. PORTNOY:

Q And there was nothing unusual about the interest rate charged?

A No.

(Pause.)

Q Mr. Nappi showed you a document from

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January 6th of 1987, which were file notes by Mr. Proctor and the files notes indicated that Mr. Proctor visited the Whitewater property.

MR. BELMAN: Just for the record, that's the one that's got a D-149 on it.

MR. PORTNOY: It's also been Bates stamped DKSN 00626 and 68 through 69.

MR. NAPPI: In some permutations. Not the one you're looking at.

MR. BELMAN: We don't have that version, but it does have the D-149 and D-150 at the top right hand of each page handwritten.

THE WITNESS: Okay.

BY MR. PORTNOY:

Q Was it uncommon for a loan officer to view the collateral for a loan under his supervision?

A No, it was not. In fact, it would be a very prudent practice for that loan officer to view the property.

Q So you have no reason to believe that Mr. Proctor's attempt to assess the value of this property was unique?

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A None whatsoever. That should have been done in the course of normal banking business.

Q It doesn't indicate to you that the loan was somehow specially problematic?

A Oh, no.

Q It might just indicate that the loan had been on the books for a period of years and the collateral needed to be looked at again?

A Right.

(Pause.)

Q Mr. Nappi also showed you a financial statement with the Bates number in the upper right hand corner D-169. It's dated March 24th, 1987.

I believe your counsel gave us a corrected version of that document. But I'd like to draw your attention only to the first page.

(Handing document to witness.)

THE WITNESS: Okay.

BY MR. PORTNOY:

Q Does the document indicate an annual income?

A Yes, it indicates an income in the income

source section.
Q Is that $155,000?
A There's a strikeover but that's what it appears to be.
Q Is income an important consideration in determining whether to approve a loan?
A Absolutely.
Q Would an annual income of $155,000 normally have been sufficient to support a $50,000 loan if that income wasn't pledged to other loans?
A Yes.
Q So irrespective of any questions about the valuation of assets, it would be fair to conclude that the income stated on that financial statement would have been sufficient to support the Whitewater loan in the amount of approximately $50,000?
A That is correct.
MR. NAPPI: What about $70,000?
THE WITNESS: Probably would have.
MR. NAPPI: I just asked because, correct me if I'm wrong, the valuation on the asset side is 50 grand, 50,000, excuse me. Schedule H indicates I



believe 70,000 --
MR. BELMAN: We don't have a copy of the second page here.
(Handing document to witness.)
BY MR. PORTNOY:
Q It would appear from this financial statement, sir, that Governor and Mrs. Clinton mistakenly believed the remaining principal on the Whitewater loan to be $70,000?
A It would appear that way.
MR. NAPPI: Why do you say mistakenly?
MR. PORTNOY: I believe we had testimony that at this time, documents that at this time, the actual principal was approximately $53,000.
THE WITNESS: That's correct.
BY MR. PORTNOY:
Q In any event, if they misstated the amount that they owed, they overstated it, they didn't understate it?
A Correct.
MR. NAPPI: I guess technically you're not in a position to say it was a mistake, it was just

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misstated.
THE WITNESS: Correct.
BY MR. PORTNOY:
Q You testified earlier sir that a financial statement would be, I believe you word was hopeful, in deciding whether to renew the loan?
A That is correct.
Q At the time that the Whitewater loan was renewed, you knew Mr. Clinton was the Governor, right?
A Yes, sir.
Q And you knew Mrs. Clinton was a partner of the Rose Law Firm?
A Right.
Q And the Rose Law Firm was a prominent, prestigious firm?
A Right.
Q So you had a fair bit of information about the Clintons at the time the Whitewater loan was renewed, even in the absence of a financial statement?
A That would be correct.

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Q Putting aside any regulatory requirements or internal bank rules, in your judgment as a banker, would the information you had about the Clintons have been sufficient to justify renewing the loan, even without a financial statement?
A Not necessarily. It would have depended upon the corporation's assets and income producing ability. Just the general knowledge of who they were would not be sufficient to renew the loan.
Q But you also had, at the time, information about the corporation?
A That is correct.
Q And the corporation's ability to generate income?
A That is correct.
Q And the loan was also collateralized?
A That is correct.
Q Would that whole package of information have been sufficient in your judgment?
A Certainly.
Q Even in the absence of a financial statement?

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A Yes.
MR. NAPPI: Did you have an accurate valuation of the property or current valuation of the property, the underlying property that was subject to the mortgage?
THE WITNESS: Based upon the document that Mr. Proctor had looked at, I felt that we had a reasonable valuation.
MR. NAPPI: How frequently did Mr. Proctor prepare those documents?
THE WITNESS: I'm not sure. But we would have looked at the valuation each time a renewal was presented.
MR. NAPPI: But a financial statement is helpful to provide the kind of information that goes into the total mix?
THE WITNESS: Absolutely, you bet.
BY MR. PORTNOY:
Q You testified earlier, sir, that the Whitewater loan, as of January 1987, received a 3 rating from the Loan Committee?
A Yes.

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Q And you testified that a 3 rating indicated normal risk?
A That's correct.
Q Did this mean that you fully expected the loan to be repaid?
A Absolutely.
Q Did a large number of loans have a 3 rating?
A Yes. And I was trying to remember or recall what the sub-standard, the percentage of the portfolio that might have less than a 3 rating would be a very small percentage.
Q So the vast majority of the portfolio had a 3 rating or higher?
A That is correct.
Q Did many loans have a 1 rating?
A Not many.
Q Was a 3 rating the most common?
A That would be in the valuation, that's right. Most of them would carry a 3 rating.
Q Sir, it's been alleged that a 3 rating meant, and I quote, the bank should start preparing

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for a default but still hope the loan perform.
Is that statement accurate?
A No.
Q A 3 rating did not mean that the bank was preparing for a default in any way, did it?
A Absolutely not.
Q It did however mean that the bank still hoped for repayment?
A As we do on all loans, as the great hope
(Laughter.)
MR. NAPPI: This isn't pro bono lending
(Laughter.)
(Pause.)
BY MR. PORTNOY:
Q Mr. Strange, earlier you were asked about the request for a loan document waiver that Mr. Proctor submitted.
A Yes.
Q If a loan lacks a financial statement, can you book that loan, sir?
A Yes.
Q You can?

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A Yes.
MR. NAPPI: What do you mean by book?
BY MR. PORTNOY:
Q Do you need to characterize the loan as non-performing in the absence of a financial statement?
A No.
Q Is a documentation waiver necessary in order to treat a loan as performing without a financial statement?
A No.
Q So there's no relationship?
A No. It only denotes that there are documents that are absent from the normal loan file that would be desirable possibly but not necessary.
Q You were asked earlier, sir, about Mr. Vernon Dewey?
A Yes.
Q He's employed by the bank?
A He was.
Q What was his job?
A He was a junior loan officer.

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Q Would a junior loan officer have been assigned to manage the Whitewater loan?
A Probably not.
Q Do you know if Mr. Dewey was assigned to manage the Whitewater loan?
A He was not. Mr. Proctor had that responsibility.
Q Do you know if Mr. Dewey had any formal responsibility with respect to the Whitewater loan?
A I don't believe that he did have. He would have an opportunity, as a member of the Loan Committee, to possibly see and review the loan from time to time at renewal time.
Q But only as a member of the Loan Committee?
A Right.
Q He was never assigned as a loan officer to that loan so far as you know?
A Not so far as I know.
MR. NAPPI: Could I ask a question?
MR. PORTNOY: Do you mind if I just finish this?

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BY MR. PORTNOY:
Q Does correspondence between loan officers and borrowers typically get placed in the loan file?
A Normally.
Q So if Mr. Dewey wrote a series of correspondence to one or more of the borrowers on the Whitewater loan, we would expect to find that correspondence in the loan file?
A Yes.
Q And the absence of that correspondence might suggest that it never existed?
A Very possibly.
MR. NAPPI: That's asking for a lot of speculation. Why don't you ask the question, would it be standard practice to place letters to borrowers in the loan file?
MR. PORTNOY: I think I did ask that question.
MR. NAPPI: Then why don't you ask, would you normally expect to find them there?
THE WITNESS: Yes, to your question.
MR. NAPPI: And have you recently reviewed

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the loan file, the credit file on the Whitewater loan?

THE WITNESS: Not extensively no.

MR. NAPPI: Was there ever a time when you found it to be absolutely complete and not deficient of any information?

MR. PORTNOY: I'm going to object to that, Doug. The witness can't possibly answer that question.

MR. NAPPI: No, he can. He might be able to.

MR. PORTNOY: He can tell you if there are specific documents he's aware of that were missing. He cannot tell you if there are documents missing of which he's not aware.

MR. NAPPI: He can certainly tell us if every document that they required as part of their loan maintenance policies and procedures was in there.

MR. BELMAN: We've talked about two different kinds of things. I don't know where this is going.

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MR. NAPPI: I'll withdraw the question.

BY MR. PORTNOY:

Q It has been reported that Mr. Proctor, quote, turned much of the Whitewater file over to Vernon Dewey.

Do you have any reason to believe that's true?

A None that I know of.

Q Has Mr. Proctor ever indicated to you that that's true?

A No, he has not.

Q Has he indicated to you that it's not true?

A I believe that would be a correct statement. I don't know at any time that Mr. Dewey had ever had any of the file turned over to him in a context where he would be managing it or doing anything in particular with it.

Q Are you aware of any responsibilities that Mr. Dewey might have had with respect to the Whitewater loan file that would have required him to correspond with the borrowers directly?

A None that I know of.
MR. NAPPI: So you're not certain if he ever corresponded with the borrowers?
THE WITNESS: I cannot be certain, no.
(Discussion off the record.)
THE WITNESS: To further clarify that, in a recent phone conversation, he said he had not corresponded with Hillary directly.
BY MR. PORTNOY:
Q Mr. Dewey told you that he had not corresponded with the Clintons?
A That is correct.
Q Mr. Dewey is no longer employed by your bank?
A That is correct.
Q Did he leave under pleasant circumstances?
A He resigned to take a position with another bank in the community.
Q He wasn't asked to resign?
A No.
MR. PORTNOY: That's all I have.
Thank you.



(Whereupon, at 4:10 p.m., Thursday, May 2, 1996, the taking of the deposition ceased.)

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J. WESLEY STRANGE

CERTIFICATE OF NOTARY PUBLIC & REPORTER 113

I, DAVID L. HOFFMAN, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

David L. Hoffman

Notary Public in and for the
District of Columbia

My Commission Expires JUNE 30, 2000

# DEPOSITION OF VERNON H. DEWEY
# IN RE: S. RES. 120

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**FRIDAY, MAY 3, 1996**

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER
DEVELOPMENT CORPORATION AND RELATED MATTERS,
*Washington, DC.*

Deposition of VERNON H. DEWEY, called for examination pursuant to notice of deposition, at 5:20 p.m. in Room 534 of the Dirksen Senate Office Building, before DAVID L. HOFFMAN, a Notary Public within and for the District of Columbia, when were present:

DOUGLAS R. NAPPI, ESQ.
Majority Counsel
JAMES S. PORTNOY, ESQ.
Minority Associate Special Counsel
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Building
Washington, DC 20510
On behalf of the Committee.

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PROCEEDINGS

(5:20 p.m.)

MR. NAPPI: On the record.

This deposition is being conducted pursuant to S. Res 120. This Resolution establishes a Special Committee administered by the Banking Committee to conduct an investigation involving Whitewater Development Corporation and other related matters.

Section 1(b) of Senate Resolution 120 authorizes investigation and public hearings into, amongst other things, the activities, investments and tax liability of Whitewater Development Corporation and is related to Whitewater Development Corporation and its officers, directors and shareholders, and shall be the focus of today's deposition.

You will likely be requested to testify next week and this deposition is in advance of that public hearing.

I will ask a series of questions. You will testify under oath. If you don't understand the question, let me know and I will rephrase. If you



need a break, let me know.

A stenographer will prepare a record of questions and answers. Depositions will be treated as Committee confidential until the commencement of the hearings.

Prior to the hearings, you will receive a letter from the Committee telling you that you may come to the Senate to review the deposition and make note of any corrections from transcription on an errata sheet.

If you are called to testify at a public hearing, you will be permitted to have a copy of your deposition prior to your testimony.

You may be represented by counsel. Objections to form of questions will be noted for the record. Counsel may object on grounds of privilege or relevance.

The Committee Chairman may rule on objections where the witness refuses to answer a question.

Will the reporter please swear in the witness?

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Whereupon,
VERNON H. DEWEY
was called as a witness herein, and having been first duly sworn, was examined and testified as follows:
EXAMINATION
BY MR. NAPPI:
Q Please state your name for the record.
A Vernon Hugh Dewey.

Q And your present business address?
A 650 South Street, Mountain Home, Arkansas.

Q Could you repeat again where you're presently employed?
A Boatman's National Bank of North Central Arkansas.
Q What position do you hold there?
A I'm a vice president in commercial lending.

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Q How long have you been employed there?
A Four years in March.
Q Where did you go to college?
A University of Central Arkansas.
Q When did you graduate?
A I was not graduated.
Q When did you leave school?
A In 1983.
Q Did you go to work after leaving school?
A At Citizens Bank at Flippin, Arkansas.
Q So you started at Citizens in 1983?
A In September 1983.
Q What position did you hold at that time?
A I started in bookkeeping.
Q What did your duties entail in bookkeeping?
A There were a succession of things. I did the insufficient checks entry on the computer, I did proof items, things of that nature.
Q Were you promoted from bookkeeping or assigned some other responsibility?
A I went to several. In fact, I held almost

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every position in the bank. From there, I went to a branch manager, then I went to that kind of entailed the teller portion.

MR. PORTNOY: Could you give dates on that, sir?

BY MR. NAPPI:

Q Approximate dates?

A Probably in 1984, I started going up. It was kind of a manager's training position. Basically I started learning all the positions of the bank.

I started I guess in the teller area in '94.

Q '84 or '94?

A '84, I'm sorry.

It kind of all jumbles together but by 1985, I was actually in a loan officer position I believe.

Q Were you ever an executive officer of the bank?

A I was not an executive. When I left, I was an assistant vice president.

Q When were you made an assistant vice

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president?

A In 1990.

Q Between '85 and '90, you were a loan officer?

A Yes.

Q Did you handle specific types of loans?

A I handled all types of loans. It was a very small bank. I think the total loan portfolio was $10 million or less, and I handled, basically when I left I was handling the majority of the loan portfolio.

Q Did there come a time when you became aware that Citizens Bank had a loan outstanding to Whitewater Development Corporation?

A I knew that when I first started working. That was a small bank.

Q How did you learn that?

A Well, I dealt with the books every day. I saw journal entries and basically could see it on the computer.

Q Did you know that Whitewater Development Corporation was a corporation whose shareholders

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included the Governor and his wife?
A Yes.
MR. PORTNOY: Did you know that from the beginning or did there come a time when you learned it?
THE WITNESS: I'm not certain. My memory recalls that I just remember we had a loan to the Governor on the books.
BY MR. NAPPI:
Q Were you ever responsible or did you ever take part in the management of that loan?
A Yes.
Q Could you explain?
A I was trying to remember this.
When I first started, there was a bunch of loans, when I first started as a loan officer in '85 approximately, a bunch of loans were transferred over to me. The previous officer had left, and then I went to his position, so of course his portfolio came to me. And as I remember it, I had the Whitewater loan in my portfolio.
This may or may not be true, but in my

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mind, as I remember it, I had it in my portfolio. But at some point in time, I had asked that it be transferred over to Mr. Proctor's portfolio.
Q Do you recall when you requested the transfer of that loan?
A No, I do not.
Q Who was the loan officer whose portfolio you took over?
A Charlie Holt.
Q Could you spell that name?
A H-O-L-T, Charlie Holt.
Q And it's your recollection that Charlie Holt was the loan officer responsible for the Whitewater loan?
A From what I remember. I could be wrong, but I remember. First, Charlie was from Little Rock. He was from the Twin City Bank. He had transferred out.
Q He transferred out of?
A Little Rock to Flippin.
Q Just to clarify when I say the Whitewater loan, do you understand what I'm talking about?

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A Yes.
Q The mortgage loan?
A Yes.
Q On the Whitewater Real Estate Development?
A Yes.
Q Because there also is another loan to Whitewater, a $20,000 loan. Do you recall that?
A No, I do not.
MR. PORTNOY: I'm sorry, I was confused by something. You got your loan portfolio from Mr. Holt.
THE WITNESS: I believe that's correct.
MR. PORTNOY: And Mr. Holt was employed by Twin City Bank?
THE WITNESS: He worked for Twin City Bank in Little Rock, and then transferred to Flippin.
MR. PORTNOY: Was this after Twin City Bank took over?
THE WITNESS: Yes.
MR. PORTNOY: Was Mr. Holt at the bank in Flippin before Twin City Bank purchased it?
THE WITNESS: No.

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MR. PORTNOY: Mr. Holt didn't arrive at Citizens Bank until after Twin City took over?
THE WITNESS: That's correct.
MR. PORTNOY: And you didn't get the loan portfolio until he left?
THE WITNESS: That's correct.
MR. PORTNOY: Do you recall when he left?
THE WITNESS: I don't recall what dates those were. All the dates I'm giving you are approximate. I have no idea, I have no memory of the dates. He was there the same time Terry Renaud was there.
MR. PORTNOY: Just to be clear, Mr. Holt was not at the bank until after the Twin City acquisition?
THE WITNESS: That's correct.
BY MR. NAPPI:
Q I guess you got there right before the Twin City acquisition?
A Yes.
Q When did you become a member of the Officers Loan Committee?

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A Well, I assume it was when I got my loan portfolio.
Q But you're not certain?
A No, I'm not. It's a very small bank.
Q Why did you request to transfer the Whitewater file?
A Well, as I remember it, and I could be wrong, as I remember it, of course, we're graded against our portfolio in raises and percentages of past dues, and that was a large loan that was going against my numbers.
I want to be clear that I clarify that this is how I remember it. This has been ten years ago. And as I remember it, it was in my portfolio. I don't even remember if it was. When the Grand Jury showed me documents, Ron's name was on all those documents, Ron Proctor's name was on all those documents.
But in my memory, I remember servicing it. I had remembered sending letters to them for financial information and then the document was showed that all correspondence went from Ron Proctor.

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So it could even be possible that I did not even have it in my portfolio. I just serviced the past due portion of it.
Q I'm not a banker. Could you?
A The past due portion of it would be collection, collecting the loan, collecting the payments, making sure they're applied to the loan and making sure that it's not on a delinquency list, and then monitoring the financial statement exceptions, any exceptions in the file to documentation that weren't in there; taxes, things of that nature.
Q So more of an operational nuts and bolts management of the credit file?
A Yes.
Q Rather than contact?
A Contact, yes.
Q Were those the kind of responsibilities that you had when you joined the bank as a bookkeeper?
A No, I didn't have those responsibilities until I became a loan officer.
Q Are those typically the kind of

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responsibilities that junior loan officers take care of?
A Yes.
Q So you would have become fairly well -- Let me rephrase.
You would have become familiarized with the credit file?
A Yes.
Q Was it your experience that it was frequently deficient on certain items that the bank would in the ordinary course request?
A The only thing that I am familiar with that I remember is financial statements for Bill and Hillary Clinton.
Q That sometimes they did not have financial statements?
A Yes.
Q I'd like to show you a record, it's entitled "Real Estate Appraisal Certificate," and it's dated August 2nd, 1978.
(Handing document to witness.)
BY MR. NAPPI:

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Q Do you recall ever seeing this document?
A No, sir.
Q Fair enough.
The next record I'd like to show you is a handwritten table, it's been serially numbered D-212 in handwriting.
(Handing document to witness.)
BY MR. NAPPI:
Q Do you recognize this record?
A I recognize Ron Proctor's handwriting. No, I don't.
(Pause.)
Q I'd like to show you a record that has been serially numbered D-149 through D-150, again in handwriting. It's says "File Notes Whitewater Development Incorporated Loan 5885." It's dated January 6th, 1987.
(Handing document to witness.)
THE WITNESS: No.
BY MR. NAPPI:
Q You don't recognize that record?
A No.

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MR. NAPPI: Let's go off the record for a minute.
(Discussion off the record.)
MR. NAPPI: Let's go back on the record.
BY MR. NAPPI:
Q I'd like to show you yet another record that is entitled "First Ozark National Bank Officers Loan Committee Minutes," January 1987, and it lists a number of members present.
(Handing document to witness.)
BY MR. NAPPI:
Q Do you see your name listed as a member present?
A Yes, I do.
Q Could you take a second and review this record?
(Pause.)
A Okay.
Q Do you recall seeing this record before?
A No.
Q Okay.
A It's a familiar format. I don't remember

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the specific record.
Q Do you remember Ron Proctor, or do you remember a time at the end of 1986 when Ron Proctor went out to examine the Whitewater property?
A I can vaguely recall that, yes.
Q Did you discuss with him his purposes for going out there?
A I don't recall.
Q Do you recall any conversations about what he saw when he went out there?
A No, I do not.
Q Any conversations about the value he placed on the property per acre?
A No, I do not.
(Pause.)
Q I would direct your attention to the second page of this record. There's a discussion or write-up of the Whitewater Development Company loan and a discussion of the collateral.
It says that it's collateralized by acreage that is valued at $750.
A An acre, yes.

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Q You're right, an acre.
Do you recall any conversation regarding this valuation?
A No, I do not.
Q Do you recall there being any concern about the per acre value of this property having declined?
A No, I do not remember any discussion regarding this.
Q Do you recall any discussion --
A I don't know how far I need to go here, but as I told you, I'm from Flippin. I know the area. I personally knew Whitewater where it was and what kind of property it was, and I think everyone on the Committee knew what type of property it was.
Q When you say type of property, what do you mean?
A Well, there were some mobile homes down there, there was some shacks built down there, a couple of nice homes, so it was, I guess, known that it was not a very desirable place to purchase property.

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Q When did it become that way?
A I don't know a specific time when it became that way.
Q Was it that way before you joined Citizens Bank?
A I can't recall, I don't know.
Q Did you ever have discussions with anyone at the bank about the desirability of this parcel of land, the Whitewater parcel?
A Yes, it was discussed what type of property it was, and it was discussed whether that property would sell.
Q Do you recall who you discussed it with?
A I don't recall specifically but it would have had to have been Ron Proctor or Wes Strange.
Q Why would it have to have been them?
A We were the only three people at the bank, lenders at the bank.
Q Do you recall, in the time that you worked on the paper work on the credit file, ever seeing any appraisals or valuations of the land?
(Pause.)

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A I don't recall seeing an official appraisal in the file. I don't recall any appraisal in the file.
Q Would you say that the $750 an acre estimate in there in the document you have before you, excuse me, is an accurate estimate of the value of that land at the time at the beginning of 1987, if you feel like you can offer an opinion?
A I would say it would be fair, slightly high maybe.
Q But within the realms of reason?
A Yes.
Q The next record I'd like to show you is entitled "Financial Statement William J. Clinton and Hillary Rodham Clinton." My copy contains the Bates stamp number CBFO-352.
(Handing document to witness.)
MR. PORTNOY: Could you state the date?
MR. NAPPI: 12/17/84.
(Pause.)
BY MR. NAPPI:
Q Do you recall ever seeing this record?

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A No, I don't.
Q Do you recall, would you say that this financial statement is a detailed financial statement?
A No, I wouldn't.
Q Was it typical of the types of financial statements that you saw in the Whitewater loan file?
A Yes.
Q So generally they were not detailed?
A Yes, I do remember that.
Q In your experience in banking, have you found financial statements to be useful records to have for a borrower?
A Very useful.
Q Why is that?
A You base your decision on financial information they give you.
Q And as far as good underwriting practice on an on-going basis in managing a loan, is it helpful to have financial statements?
A Yes, it's our policy. It's a normal policy to procure them on an annual basis. To look

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at them and see if anything is deteriorating financially on an individual statement.

MR. PORTNOY: For all loans, for certain kinds of loans?

THE WITNESS: I'm speaking about commercial loans. I don't know how I can distinguish between a commercial consumer loan. A consumer loan is basically made to an individual secured by personal property. A commercial loan is normally loans made on real estate, stocks, bonds, to business people.

So on commercial loans, we request an annual financial statement. That's been customary practice since I've been there to request an annual statement.

BY MR. NAPPI:

Q And it's done to assist in the oversight of the loan?

A Yes.

Q It's more than just housekeeping?

A Yes. Loans are risk rated in the bank for loss. Different banks risk different ways.

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Typically A being the best, the lower in the alphabetical scale being worse. If someone brings in some financial information and shows a deterioration, we normally call those people, consult with them, and if we feel there's a problem, we downgrade the loan and assess the risk in it and reserve in the loan loss.

Q Was it your experience or do you recall the Whitewater loan's risk rating ever changing while you were at the bank?

A I don't remember it changing. I know that it was always, I don't even remember what their categories were, but it was in the lower category of their risk rating. I think they did one, two, three, four, and maybe theirs was a three.

Q Maybe this will help refresh your recollection as to that point.

According to the minutes I just showed you, it was risk rated three. However, I'm looking at an incomplete commercial loan application, but the form shows that they actually had five ratings, so three would be the middle rating.

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(Handing document to witness.)
THE WITNESS: I assume that's correct.
MR. PORTNOY: Perhaps in fairness, we should also indicate that we've had testimony earlier that there were in fact six risk ratings.
MR. NAPPI: I don't recall what the testimony was. Let's not get into that.
(Pause.)
BY MR. NAPPI:
Q Do you know a gentleman named Ed Penick?
A Yes, I do.
Q How do you know Mr. Penick?
A He was president of Twin City Bank and First Ozark.
Q First Ozark was associated with Twin City Bank?
A Yes, we were a subsidiary.
Q Did Ed Penick have a role on the First Ozark Board of Directors?
A Yes, he did.
Q What was that role?
A I don't recall.

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Q But he was a member of the Board of Directors?
A As I recall, he was.
Q Do you know an individual named Terry Renaud?
A Yes, I do.
Q How do you know Terry Renaud?
A He was Chairman and CEO of Twin City Bank.
Q Was he also on the board at First Ozark?
A Yes, he was.
Q Did you know Susan Sisk?
A Yes, I do.
Q Who was Susan Sisk?
A She was our senior credit officer from Twin City Bank.
Q What does that mean?
A That means in the beginning, she drove up every Thursday or Friday -- I think it was Thursday -- to our loan committee.
Q At the beginning? You mean?
A When Twin City Bank first purchased us. And any loan request over X dollars, I don't remember

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what those dollars were, had to go through her.
Q Did that practice continue or did it change in any way?
A When I left First Ozark it had changed. She was no longer required to sign off on any loan requests.
Q Did she also have to sign off on renewals?
A No. If it was over a certain dollar amount, she did. I don't know what that dollar amount was.
Q So renewals and loans over a certain threshold?
A Yes.
Q Do you recall when she stopped actually participating in the loan officers meetings?
A No, I do not. It had to be like late '89 or early '90, I would imagine.
Q Do you know an individual named Margaret Davenport?
A Yes, I do.
Q How do you know her?
A She was senior vice president and cashier

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at Twin City Bank.
Q Did she have a role in the operation of First Ozark?
A No, not that I'm aware of. That was Ken Pennebaker, but he's dead now.
Q Could you spell that name?
A P-E-N-N-E-B-A-K-E-R.
Q Do you recall any discussions regarding the Whitewater loan that involved Mr. Penick?
A Yes.
Q Could you tell us about them?
A I don't remember specifics, but I know that Ed was there, Ed Penick. Susan Sisk was there. Ron was there. I'm not sure Wes was. And we were discussing the financial statement on the Clintons.
And Ed said that Margaret was personal friends of Hillary's and Susan said something to the effect that yes, she thought she was. Ed said that he would get Margaret to call Hillary and see if we could get a financial statement.
Q Do you recall what financial statement, or when this occurred?

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A No, I don't. This is a memory in my head.
Q Do you know if Mr. Penick asked Davenport to get a financial statement?
A No, I don't.
Q Do you recall if the financial statement was obtained?
A I do not recall getting a financial statement.
Q Is that the only recollection you have of a conversation regarding a Whitewater loan with Penick?
A With Mr. Penick, yes.
MR. PORTNOY: Can I ask him to clarify his last answer?
Did you testify that you did not receive a financial statement from the Clintons, or that you do not recall whether you received a financial statement?
THE WITNESS: I do not recall whether we received one or not.
MR. PORTNOY: Thank you.
BY MR. NAPPI:

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Q You just indicated that's the only conversation you recall with Mr. Penick.
Do you recall conversations with other persons regarding the Whitewater loan?
A Well, I recall conversations with Ron and Wes. This loan was discussed quite often at the bank. It was a nuisance at the bank. It was continuously past due at the bank. It was continuously pulled by auditors to audit. And it was continuously noted that financial information was lacking. And we discussed periodically what to do with the loan. I guess none of us liked it. It was there at the bank because of these things because we were continuously raked over the coals.
Q Raked over the coals by?
A I guess raked over the coals may not be the right word, but the officer, the Comptroller of the Currency auditors were always on us about not having proper documentation in the file.
Q With this loan more so than other loans?
A That I can't answer. I remember this one particularly because it stands out because of the

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borrowers.
Q Why did you feel like you had to live with the loan?
A From a personal standpoint, I felt like we had to live with it because honestly it was the Governor of the State of Arkansas, it was an influential man. I don't think anyone ever thought the loan would go bad necessarily. I think everyone felt the loan eventually would be paid off, but it was the hassle of having to monitor, collect, and the unwillingness of the borrowers to give us information.
Q Which borrowers were unwilling to give information?
A The Clintons.
Q What about the McDougals?
A As I recall, they were pretty good about giving financial information when requested. I don't remember what they gave us or when they gave it or how they gave it. I remember when we, the bank, requested it, it was normally sent, from my recollection.

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Q Did Wes Strange or Ron Proctor ever express dissatisfaction with having to live with this loan, as you said?
A I don't recall.
Q You say that the Clintons were unwilling to provide financial statements. Is that based on personal experience in trying to obtain financial statements from them?
A I guess that's more of an opinion because I never dealt with the Clintons, and I don't know if they were willing or not to give the information. All I remember is that it was never forthcoming when requested.
Q Have you ever met Bill Clinton?
A Yes, I have.
Q Have you ever met Hillary Rodham Clinton?
A No, I have not.
Q Do you recall where you met Bill Clinton?
A I've met him twice. I met him at the University of Central Arkansas when he was campaigning. I guess it was his first time for governor, I'm not sure. He was campaigning in the

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student union. My fraternity helped host the event.
And then I was in the Leadership Institute with Arkansas Power & Light and we had lunch at the Governor's mansion and I talked to Mr. Clinton.
Q Do you recall when that was?
A I was going to look at that. I've got a diploma thing on my wall in my office with the dates on it. I don't know what that is.
Q When you met him at the Governor's mansion, you didn't discuss the Whitewater loan?
A No.
We talked about my father-in-law.
Q And you've never been in written correspondence with either of the Clintons?
A I had recalled that I was. Before I went before the Grand Jury, they produced documents that would suggest Ron had and I never had, so obviously I did not.
Q So was your recollection refreshed that you did not correspond with them?
A That's correct.
(Pause.)

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EVENING SESSION

(6:00 p.m.)

BY MR. NAPPI:
Q The next record I'd like to show you is a March 24, 1987 financial statement of Hillary and Bill Clinton.
(Handing document to witness.)
(Pause.)
BY MR. NAPPI:
Q Do you recall ever seeing this record?
A No, I don't.
Q The next record is Bates stamped DKSN-029262. It's one page of handwritten notes. It appears to have been on personalized stationery with the name Hillary Rodham Clinton across the top.
(Handing document to witness.)
BY MR. NAPPI:
Q I'm not going to ask you if you recognize this document, but could you focus on the substance of the information that record contains.
A Yes. Do you want me to elaborate on it? Or do you want to ask me questions about it?

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Q If you can elaborate on it, go ahead.
A Current notes, I assume she means payable, $1100. Value of property $66,000, $1500 an acre, sale value foreclosure on June $300 an acre.
Maybe you should ask me questions about it.
Q All right.
Do you recall ever collecting that information for anyone?
A I don't understand the question.
Q The information that's contained on that note, do you recall ever being tasked by anyone to look at the Whitewater loan file and collecting that particular information?
A No, I do not.
Q I'd ask you to look at another handwritten note, Bates stamped DKRT-700294.
Just take a moment to examine the information there.
(Pause.)
A Okay.
Q Same question. Do you ever recall being

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tasked to collect information from the Whitewater loan file to that effect?
A No, I do not.
Q Okay.
Do you recall anyone ever asking you to recall or obtain some information from the Whitewater loan file other than in connection with like one renewal?
A I don't remember the specifics. I remember the file, I remember working on it, but I don't remember the specifics.
MR. PORTNOY: Sir, just to be clear, Mr. Nappi's question was whether you recall any one specifically asking you to go get them information from the file. That's a different question.
THE WITNESS: From what I answered.
(Pause.)
No, I do not.
MR. PORTNOY: You don't recall that happening, or you recall that it did not happen?
THE WITNESS: I don't recall anyone asking me to gather information from the file.

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MR. PORTNOY: Okay.
BY MR. NAPPI:
Q Do you recall Susan Sisk ever asking you questions regarding the Whitewater file?
A No, I do not recall.
(Pause.)
Q Do you know Chris and Rosalie Wade?
A Yes, I do.
Q How do you know them?
A Personally. He owns Ozark Reality in Flippin and Rosalie worked there with him and was also at the school, was a director at the bank previous to me.
(Discussion off the record.)
BY MR. NAPPI:
Q When you were employed at First Ozark, did you ever have any dealings with Chris or Rosalie Wade?
A Yes, I did.
Q What were the nature of those dealings with respect to Whitewater?
A Rosalie handled the escrow payments that

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were paid on the Whitewater property. She collected them, and then deposited them in the bank. I would call Rosalie when the loan was delinquent for payments.
Basically my contact with Chris and Rosalie Wade was with Rosalie concerning Whitewater, not Chris.
Q Did she ever tell you the source of the funds?
A No, she didn't.
Q I'd like to show you a record now that's Bates stamped DKRT-101152. It's a check drawn on Whitewater Development Corporation Account at Madison Guaranty in the amount of $25,000.
(Handing document to witness.)
BY MR. NAPPI:
Q It's dated March 22nd, 1985.
Do you recall any conversations with Rosalie Wade where she expressed to you or told you that she received a payment of this size from Whitewater?
A No, I do not.

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Q Do you know the McDougals?
A No, I do not.
(Pause.)
Q Could you tell me again when you left, by then was it Mercantile?
A No, it was still First Ozark.
January 1991.
Q And you went directly to work for Boatman's?
A No. I went to bank at Yellville one year.
Q Then you went to Boatman's?
A Yes.
(Discussion off the record.)
MR. NAPPI: Let's go back on the record.
(Pause.)
BY MR. NAPPI:
Q I have another record I'd like you to take a look at. It's an April 12, 1988 letter from First Ozark National Bank signed by J.W. Strange. It's directed to Hillary Clinton.
(Handing document to witness.)
BY MR. NAPPI:

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Q It's a covering letter, and then there's some summaries of balances on escrows attached to it.
(Pause.)
Do you recall ever seeing this letter?
A No.
Q Do you recall being asked to compile the information regarding the escrow accounts that's attached to this?
A No.
Q Do you recall when the bank switched charters from state to national?
A Yes.
Q At that point, your primary regulator would have been the OCC rather than the Arkansas State Banking Board, is that correct?
A Could you repeat that?
Q When you switched charters, your regulator became the Comptroller of the Currency?
A That's correct.
Q Do you recall there being concern at the bank about the heightened scrutiny of the Comptroller of the Currency's examinations?

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A Yes.
Q Was that a generally-held concern?
Did Wes Strange and Ron Proctor also seem to be concerned?
A Yes.
Q Do you recall the Whitewater loan being the only loan that the bank held that had such irregular documentation?
MR. PORTNOY: I'd like to object and ask you to define what you mean by such irregular documentation.
MR. NAPPI: I think I mean the same thing you meant yesterday when you asked that question.
MR. PORTNOY: I think I actually stated it a little differently. My point would be that the only documentational irregularity that Mr. Dewey has testified to or I believe recalls is the absence of financial statements at certain times.
MR. NAPPI: You're right.
I will ask this question.
BY MR. NAPPI:
Q In your experience of reviewing the loan

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files, did you find the Whitewater loan file to be better documented than other files or worse documented?
MR. PORTNOY: Do you mean in specific files, in all files on average?
BY MR. NAPPI:
Q Can you think of another commercial real estate loan that the bank at Flippin had of a similar amount?
This would have been a large loan for the bank of Flippin?
A That's correct, it would have.
Q For a large commercial real estate loan, was this a poorly documented loan file?
MR. PORTNOY: You've characterized it as a large loan. I just want to be clear that you're speaking of the renewal amount, rather than the original amount, because that's the period in which Mr. Dewey was familiar with the loan, so we're talking about that $50,000 or $53,000.
MR. NAPPI: At some point. At other points, it was $100,000.

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Well, the loan paid down over time.
THE WITNESS: I remember it around 100,000 portion. When I left, it was nearer 50,000, as I recall. I'm not sure if it was or not.
BY MR. NAPPI:
Q We're not asking you from memory to document the pay down, but my question, for a commercial real estate loan of this size.
A As I recall, this is the only loan in the bank that I can remember having such poor documentation. By documentation, I'm talking financial information.
Q By that, you mean personal financial statements when you say financial information?
A Yes.
Can I also state that I feel that it was not the only loan in the bank lacking financial information but this loan sticks out in my mind because of who the borrowers were.
MR. PORTNOY: When you say this is the only loan you recall, what you're saying is not that it's the only loan the bank had with a similar

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documentation but rather the only loan that after ten or more years you can recall.
THE WITNESS: That's correct.
BY MR. NAPPI:
Q That is what you're saying. It is the only poorly documented loan file you recall?
A That's a fair statement.
Q So you're not saying this was the worst documented, it was just the only one that you can remember at this point in time?
A What he said, yes.
Q He being Mr. Portnoy?
A Yes.
Q Did you ever have any discussions with Rosalie Wade about the Whitewater Development deal?
A The only discussions I had with her were trying to collect the loan.
Q Did she ever tell you who she had to deal with with respect to the Whitewater loan?
A No.
Q Did I ask this. Do you remember Terry Renaud ever making inquiries about the Whitewater

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loan?
A You did not ask it, but I do not remember that he inquired about it.
Q And you don't recall anyone at the bank ever saying Margaret Davenport had called requesting information on Whitewater?
A No, I do not.
Q You don't recall anyone at the bank, any of the other officers saying they got a call from anyone at Twin City Bank regarding the Whitewater loan? Do you see what I'm getting at?
A Yes.
MR. PORTNOY: Yes, you see what he's getting at?
THE WITNESS: Yes, not that I remember. I do not.
MR. NAPPI: I don't think I have any further questions.
(Recess.)
MR. NAPPI: We are back on the record. I actually have two more questions before I hand it over to Mr. Portnoy.

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BY MR. NAPPI:
Q Do you recall a December '86 board meeting at First Ozark where the need to get a loan renewal for the Whitewater loan was discussed?
A Unless I specifically had a loan to present to the board, I would have not been at that meeting.
Q Do you recall ever being at a meeting the end of 1986 in December of 1986, where you raised concerns about the lack of financial disclosures?
A I remember discussing it in a loan committee, but I doubt very seriously if I would have discussed it in a directors meeting.
Q Who was at the loan committee meeting?
A It would have been the same individuals; Ron, Wes, myself, Barbara, Susan might have been.
Q Susan Sisk might have. Okay.
The other question I have is with respect to Susan Sisk. Did she exercise veto power over the officers loan committee decisions?
A Yes.
Q By that, I mean if the officers had

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suggested that a loan be renewed, she could override them and say the loan will not be renewed?
A Yes.
Q Within a certain dollar limit?
A As I recall, Susan had ultimate veto on any loan presented to the loan committee to decline her approval. And as I remember, it was not a majority vote. One vote killed the deal.
Q Beyond the majority vote, Susan Sisk's consent, or they would not renew?
A Yes.
Q And if the officers would decline the renewal, she could override with respect to that and say, no, I think we should renew this loan?
A Yes. If we did not like her decision, we could take it to the full board.
MR. NAPPI: Fair enough. I have no further questions.
EXAMINATION
BY MR. PORTNOY:
Q Sir, to your recollection, did Susan Sisk ever override a board decision not to grant a loan?

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In other words, did the board ever decide not to grant a loan, but Susan Sisk instructed that you would?
A Can we clarify the board.
MR. NAPPI: Loan committee, the officers loan committee.
THE WITNESS: I think we are talking two separate committees. There is an officers loan committee that Susan Sisk reigned over, then there's the board of directors meeting.
That loan committee meeting met every Thursday, I believe, every Thursday, and Susan drove up from Little Rock.
Then there was also a once-a-month directors meeting with all the board of directors and then the individuals from Little Rock would come up, the individuals from Little Rock being Terry Renaud, Kim Baker, Susan Sisk, Ed Penick and we met.
Susan met on Thursdays. If she did not want us to do a loan, she could tell us not to do that loan or renew that loan.
If we did not like her decision, we could

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appeal that decision to the full board of directors.
BY MR. PORTNOY:
Q Let me ask you about the reverse. I'm not concerned about the situations where the loan officers at First Ozark decided that it would be prudent to grant a loan, and Mrs. Sisk said that the loan should not be granted.
I'm asking about the reverse situation.
Do you ever recall a case in which the loan officers at First Ozark decided that it would be imprudent to grant a loan, and Mrs. Sisk insisted that the loan be granted?
(Pause.)
A No, I do not.
MR. NAPPI: You do not recall specifically?
THE WITNESS: I do not recall specifically. I do not recall that happening.
MR. PORTNOY: That's a different question, sir, and I want to be clear.
BY MR. PORTNOY:
Q To the best of your recollection, that

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never happened?
A Yes.
Q Also, just to clarify, sir, it's your recollection that Mrs. Sisk's approval was required for any loan, irrespective of amount?
A That's not how I recall it.
Q How do you recall it?
A I recall it that it was dollar specific and Susan had veto power over X dollar amount.
Q We've had testimony, sir, that that dollar amount was approximately $100,000 or $150,000 in 1986 or '87.
Do you have a recollection as to how much the threshold might have been when Mrs. Sisk's approval was required?
A She had to approve every loan. She was in the loan committee every Thursday. She had to approve the loan.
MR. NAPPI: Maybe I can clarify this.
Is what you're testifying, are you testifying that only certain loans over certain thresholds had to go to the loan committee, a certain

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dollar threshold?
THE WITNESS: Each officer had a specific lending authority. If it exceeded the officer's lending authority, it had to go to the loan committee.
MR. NAPPI: But once it was in the loan committee, Susan Sisk had veto power?
THE WITNESS: That's correct.
BY MR. PORTNOY:
Q I believe you testified that loan committee decisions had to be unanimous? That a single negative vote would prevent the loans from being approved?
A That's correct.
Q So every member of the loan committee effectively had veto authority?
A That's correct.
Q Mrs. Sisk's authority in that regard wasn't any different from anyone else's?
A That's correct.
Q She didn't function as essentially a separate review committee after the loan committee,

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she was just a member of the loan committee?
A That's correct.
MR. NAPPI: So any action took a unanimous vote. All members of the loan committee had to agree to approve or disapprove a loan?
THE WITNESS: As I recall it, yes it did.
BY MR. PORTNOY:
Q Did you ever vote to approve the Whitewater loan?
A Yes, I did.
Q Did anybody tell you you had to do so?
A No, they did not.
Q So your vote was based on your own judgment about the loan?
A Yes.
Q And your judgment apparently was that the loan should be approved?
A Yes.
Q You testified you took over Charlie Holt's loan portfolio when he left what was then First Ozark?
A Yes.

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Q Do you recall how long he was employed at First Ozark approximately?
A You'll have to help me with the date. When Twin City Bank purchased us.
MR. NAPPI: I believe it was in early '84, but I'm not looking at anything right now. I'm just going off my recollection.
THE WITNESS: No. I don't know any specific dates.
BY MR. PORTNOY:
Q I'm trying to get a sense for when you might have taken over his portfolio.
A I don't know when he left specifically. It had been 1986.
Q You indicated that you were a loan officer by 1985.
A Let me clarify something. I said I was not specific on my dates.
Q I understand. I'm just trying to clarify.
A Now that all this has come out, I'll tell you how I can remember this.
I went on a cruise in February 1986.

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Charlie Holt was still at the bank at that time. So Charlie Holt had to leave between February and September, no because he was an usher at my wedding. We got married September 20th, and he left after that. He had to leave in the fall of 1986.
I was a loan officer at that time, and I inherited his.
Q So you had a loan portfolio before you inherited Mr. Holt's loans?
A Yes.
Q At that time, you were a fairly junior officer?
A Very junior, yes.
Q And I believe you testified that the Whitewater loan was among the larger loans in the bank?
A Yes.
Q Is it likely that a junior loan officer would have been assigned one of the largest loans in the bank?
A No.
(Pause.)

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Q Sir, after several hours of conversation about this subject, and a fair bit of reflection, is it still your view that you were a loan officer on the Whitewater loan at any time?
A Could you repeat that question?
THE WITNESS: Can we go off the record?
MR. PORTNOY: Sure.
(Discussion off the record.)
BY MR. PORTNOY:
Q Sir, have you ever been shown a document from the Whitewater loan file that you prepared?
A No, I have not.
Q Are you aware of any such document?
A No, I am not.
Q In light of the absence of documents prepared by you in the Whitewater loan file, and based on these hours of discussion and reflection, is it your view that you were or were not the loan officer assigned to the Whitewater file, the Whitewater loan file?
A After the testimony, after this, no, I was not.

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MR. NAPPI: Is it possible you may have had some responsibility with respect to this file?
THE WITNESS: Yes, I did.
BY MR. PORTNOY:
Q But the loan officer was responsible for determining whether to recommend that a loan be approved or not approved for renewal?
A That's correct.
Q So that would not have been your responsibility?
A No, it would not.
Q Sir, you testified earlier that you recalled there were four loan risk ratings.
Mr. Nappi then showed you a document which stated, he indicated, there were five risk ratings.
I'd like to show you another document which is actually a loan application. It's dated January 8, 1987, and it indicates that it's a loan application by the Whitewater Development Company.
It is clearly the loan we've been talking about, indicating that Mr. Proctor is the loan officer.

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This document is Bates stamp number DKSN-023014, and I ask you to look at the second page, which is DKSN-023015, and tell me whether, at the very bottom of the page, there's an indication of the possible risk ratings for a loan?

(Handing document to witness.)

THE WITNESS: Yes, there is.

BY MR. PORTNOY:

Q How many such ratings are there?

A Six.

Q This loan is rated what, sir?

A A 3, a C-rating.

Q So in fact, sir, this loan, based on the existence of six ratings, would have been in the upper half of the rating scale, would it not?

A I would consider it a middle of the rating scale.

Q But you would not consider it at the bottom of the rating scale?

A That's correct.

Q And you wouldn't consider it a loan that was about to go into default, would you, sir?

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A Not from that risk rating, no.

Q Would you be surprised, sir, if I told you that we've had testimony that 80 percent of the loans at First Ozark were rated 3?

A I have no knowledge of that.

Q I appreciate that you have no knowledge of the prior testimony. I'm asking you whether it's consistent with your recollection that 80 percent or approximately 80 percent of the loans at First Ozark were rated 3?

A I do not recall.

Q You don't recall?

A No, I do not.

Q Are you saying you recall that it's not the case, or that you simply don't recall?

A I simply don't recall.

Q Just to clarify some discussion that you had with Mr. Nappi, the allegation has been made that the Whitewater loan was the only loan which lacked financial statements.

I believe you testified that that's not true. Is that correct?

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A I believe I testified that I don't recall if it was the only one in the bank with personal financial statement deficiencies.

MR. NAPPI: His testimony will stand. If you want to clarify, then elaborate. It's not fair to ask him to re-testify.

BY MR. PORTNOY:

Q Sir, we've been told that as many as 25 percent of the loans at First Ozark lacked personal financial statements.

A I don't recall that.

Q Do you recall that it's not true?

Or do you just simply not recall whether it's true?

MR. NAPPI: I think you should also clarify we're not providing him with any documentation of that. It's someone's estimate.

MR. PORTNOY: This is testimony, the recollection of another witness.

THE WITNESS: I would testify that that would be a high number.

MR. NAPPI: But again you're going off

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your recollection?

THE WITNESS: That's correct. I have no knowledge of it. I have no records from the examinations of the OCC for me to tell that. But in my personal opinion, I do not recall that.

BY MR. PORTNOY:

Q Do you recall a different percentage?

A No. I don't know the specific percentage.

Q So you're not testifying that simply because you only remember one loan with financial statement deficiencies, that there only was one loan with financial statement deficiencies, are you?

A No. I believe I'm not.

Q So you would agree with me that a number of loans had financial statement deficiencies?

MR. NAPPI: Do you have personal knowledge, Jim, of the loan files?

THE WITNESS: I would say, ask me that one more time, please.

BY MR. PORTNOY:

Q You testified that you only recalled one loan with financial statement deficiencies. Is that

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correct?
A I believe I did, yes.
Q You also testified that the reason you recalled this particular loan was because of the identity of one of the guarantors?
A That's correct.
Q So what stood out in your mind about this loan as much as anything was the identity of the borrower?
A No. What stands out in my mind about this loan is the lack of a personal financial statement from Mr. and Mrs. Clinton.
Q Without trying to recall a specific loan, other than the Whitewater loan, is it your recollection that other loans generally lacked financial statements?
A It would be my recollection that some loans in the bank's portfolio lacked personal financial statements. I would take out the word "generally lacked."
Q I was referring to a general recollection rather than loans generally.

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A I understood it to be generally the loans.
Q No, sir. I'm asking for your general recollection whether other loans lacked financial statements, and I believe you testified, as a matter of general recollection, there were other loans that lacked financial statements.
A I don't know how clear I need to be on this.
MR. NAPPI: Come on, Jim, let's move on. I think he's been very clear. This loan, for one reason or another, stands out in his mind.
THE WITNESS: I cannot testify that there were other loans in the bank.
MR. PORTNOY: We'll move on to another subject.
BY MR. PORTNOY:
Q Did you ever tell anyone that the Whitewater loan should be called?
A Yes.
Q You did?
A Yes.
Q Who did you tell?

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A Ron Proctor.
Q Do you recall the circumstances under which you made that statement?
A No. I just remember telling him that. I don't remember telling him that the loan should be called. I think I remember discussing the loan with him, and asking him why the loan was not called. I don't recall his answer to that, but I know there was at least one discussion where I proposed that the loan should be called.
Q In fairness, sir, I should tell you Mr. Proctor does not remember any such conversation.
Did you ever insist that the question of calling the Whitewater loan be brought to the board of directors at the bank?
A No.
Q Did you ever argue to the board of directors that the Whitewater loan should be called?
A No.
Q Did you ever tell any member of the board of directors that the Whitewater loan should be called?

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A No.
Q To the best of your knowledge, did you ever discuss the Whitewater loan with a member of the board of directors of the bank?
A Ed Penick.
Q And you've indicated that you had one conversation with Mr. Penick, and that was prior to an officers loan committee meeting?
A That's correct.
Q Other than that, have you ever discussed the Whitewater loan with a member of the board of directors of the bank?
A No.
Q When you told Mr. Proctor that you thought the loan should be called, or you wondered why the loan wasn't called, was that before or after the loan was renewed?
A I don't recall.
Q Did you tell any other members of the officers loan committee that you believed the loan should be called?
A I'm sure I did.

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Q Who would that have been?
MR. NAPPI: Is this a specific recollection?
THE WITNESS: I'm guessing.
BY MR. PORTNOY:
Q You have no specific recollection of telling anyone other than Mr. Proctor?
A No.
Q But you have a specific recollection of telling Mr. Proctor?
A Mr. Proctor's my immediate supervisor. I was a junior loan officer, and in the conversation I had with Ron, I said, I remember some of them vividly, but in regards to Whitewater I do remember telling him. I think the terminology, telling him, should be taken out of there, and said, asking him why the loan was not called. I do not recall his response.
Q Was it your view, sir, that the bank should call the loan?
A Yes. But I was a junior loan officer and had no authority to do so.

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Q You've indicated, sir, that you voted to renew the Whitewater loan.
A Yes, I did.
Q Because you thought that it was the right thing to do?
A Define the right thing to do.
Q Because you thought the loan should be granted, should be approved?
A I thought it should be renewed because it was the Governor of the State of Arkansas, not that it was a good loan.
Q Was the loan ultimately paid, sir?
A Yes, it was.
Q Did the bank receive all its money?
A I was not there at the time it was repaid, but I believe it was.
Q Sir, you indicated that payments on the loan were being made by Rosalie Wade. Is that correct?
A As I remember it, yes.
MR. NAPPI: I think he testified that some of the escrow payments were being paid by Rosalie

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Wade.
THE WITNESS: Yes.
BY MR. PORTNOY:
Q I believe you also indicated that you were concerned that the payments were sometimes late?
A Yes.
Q Did you ever apprise the Clintons of that concern?
A No, I didn't.
Q Did you ever apprise the McDougals of that concern?
A No, I didn't.
Q Did you ever tell anyone outside the bank or Mrs. Wade of that concern?
A No, I did not.
Q So you have no idea if the Clintons were even aware that the payments were being made late?
A No, I do not.
Q To your knowledge, did Bill Clinton ever request special treatment for the Whitewater loan?
A No, he didn't.
Q Did Mrs. Clinton?

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A No, she didn't.
Q Did Mr. Clinton ever exert any influence on the bank to try to obtain some kind of special treatment for the loan?
A No, he didn't.
Q Did Mrs. Clinton?
A No, she didn't.
Q Did anybody acting on their behalf, to the best of your knowledge?
A To the best of my knowledge, no.
Q So when you indicated earlier that the loan stood out because Mr. Clinton was influential, that was a general observation?
A Yes.
Q That wasn't a statement that he exercised influence on the bank?
A No, sir. That's my personal opinion.
MR. NAPPI: Off the record for one minute.
(Discussion off the record.)
BY MR. PORTNOY:
Q Did anyone ever indicate to you that they shared your view that the loan should be called?

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A I don't recall.
Q You don't recall whether it occurred, or you recall that it did not occur?
A I don't recall that it occurred.
Q Sir, did you speak to Mr. Stewart?
A Yes, I did.
Q Did you tell him that you'd written the Clintons repeatedly?
MR. NAPPI: I think we are outside the scope now.
MR. PORTNOY: Let's go off the record.
(Discussion off the record.)
BY MR. PORTNOY:
Q Sir, I'm going to ask this directly.
Did you tell Mr. Stewart that you brought your concerns about the loan to the board of directors and argued that the loan should be called?
A No, I didn't.
Q Did you ever tell him that you argued to the board of directors that the loan should be called?
A No, I didn't.

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Q Do you have any idea where he would have gotten that information?
A No, I do not.
Q Did you tell Mr. Stewart you had written the Clintons repeatedly?
A I think I actually told Mr. Stewart that we had written the Clintons repeatedly asking for financial information, as I recall it.
Q So Mr. Stewart misunderstood.
MR. NAPPI: He's not in a position to say.
MR. PORTNOY: That's true.
BY MR. PORTNOY:
Q To the best of your recollection, you never told him that you had personally written the Clintons?
A That's correct.
MR. PORTNOY: I don't have any further questions.
MR. NAPPI: One clarifying question.
FURTHER EXAMINATION
BY MR. NAPPI:
Q Did you know that Jim McDougal controlled

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Madison Guaranty Savings & Loan?
A Yes.
Q Did you know it at the time that you were working at First Ozark?
A Yes.
Q Do you recall when Mr. McDougal was removed from the board of Madison Guaranty Savings & Loan? Or do you recall learning that he had been removed?
A Yes.
Q Did other people at the bank know this?
A I have no knowledge of that. It was in the state newspapers.
Q Did that cause you concern with respect to this loan?
A No.
MR. NAPPI: Okay.
FURTHER EXAMINATION
BY MR. PORTNOY:
Q Do you have any reason to believe, sir, that there's any connection whatsoever between the Whitewater loan and branch banking legislation?

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A No.
Q I take it you've never suggested to anybody that there might be a connection?
MR. NAPPI: Did you talk about it with James Stewart?
THE WITNESS: Yes.
MR. NAPPI: Did you offer an opinion with respect to the legislation that Twin City Bank may have been interested in?
THE WITNESS: Yes.
BY MR. PORTNOY:
Q What did you tell him?
A I told him that I remembered that Twin City Bank had wanted to branch into Little Rock and that because of the legislation, we were unable to do so. And I believe my wording in the book said it was said that it was next and I told him that's all I knew of it.
Q Did he raise with you the subject of branch banking, or did you raise it with him?
A He did with me.
Q Did he ask you if there was any connection

in your mind between the Whitewater loan and the branch banking?

A I do not recall him asking that.

MR. NAPPI: So you don't have any recollection whether he did or didn't?

THE WITNESS: No, I do not.

MR. PORTNOY: Thank you, sir.

MR. NAPPI: I have no further questions.

(Whereupon, at 7:25 p.m., Friday, May 3, 1996, the taking of the deposition ceased.)

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VERNON H. DEWEY

## CERTIFICATE OF NOTARY PUBLIC & REPORTER



I, DAVID L. HOFFMAN, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

David L. Hoffman

Notary Public in and for the
District of Columbia

My Commission Expires JUNE 30, 2000

# DEPOSITION OF EDWARD M. PENICK, JR. IN RE: S. RES. 120

FRIDAY, MAY 3, 1996

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER
DEVELOPMENT CORPORATION AND RELATED MATTERS,
*Washington, DC.*

Telephone deposition of EDWARD M. PENICK, JR., called for examination pursuant to notice of deposition, at 9:55 a.m. in Room 212 of the Dirksen Senate Office Building, before JO-ANNE LIVERANI, a Notary Public within and for the District of Columbia, when were present:

DOUGLAS R. NAPPI, ESQ.
Majority Counsel
JAMES S. PORTNOY, ESQ.
Minority Associate Special Counsel
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Building
Washington, DC 20510
On behalf of the Committee.

PAUL W. HOOVER, JR., ESQ.
MARTHA M. HILL, ESQ.
Hoover, Dougherty & Kooistra
111 Center Street
Eleventh Floor
Little Rock, Arkansas 72201–4445
On behalf of the Deponent.

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PROCEEDINGS

MR. NAPPI: Let's go on the record. This deposition is being conducted pursuant to 120 Resolution, establishes a Special Committee administered by the Banking Committee to conduct an investigation involving Whitewater Development Corporation and other related matters. Section 1(b)(3) of Senate Resolution 120 authorizes investigations and public hearings into, amongst other things, the activities, investments and tax liability of Whitewater Development Corporation and is related to Whitewater Development Corporation of its officers, directors and shareholders. This will be the focus of today's deposition.

You will likely be requested to testify in the near future at public hearings. We will ask a series of questions; you will testify under oath. If you don't understand a question, let me know and I will rephrase. If you need a break, let me know. The stenographer will prepare a record of questions and answers. This deposition will be treated as committee confidential. Until the commencement of

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hearings prior to the hearings, you will receive a letter from the Committee telling you that you may come to the Senate to review the transcript of your deposition and make note of any corrections for transcription on an errata sheet.

If you are called to testify at a public hearing, you will be permitted to have a copy of your deposition transcript in advance of your testimony. You may be represented by counsel. Objections to the form of questions will be noted for the record; counsel may object on grounds of privilege and relevance.

The Committee Chairman may rule on objections where the witness refuses to answer a question.

Reporter, please swear in the witness.

Whereupon,

EDWARD M. PENICK, JR.

was called as a witness and, having first been duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. NAPPI:

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Q Would the witness please state his name for the record.
A Edward M. Penick, Jr.
Q Mr. Penick, you are represented by counsel?
A That's correct.
MR. NAPPI: Counsel, please identify themselves.
MR. HOOVER: Paul W. Hoover, Jr. and Martha M. Hill.
BY MR. NAPPI:

Q And your present business address?
A 6807 West 12th Street.
Q And where are you presently employed?
A Exsorbet, E-x-s-o-r-b-e-t, Industries, Incorporated.

Q And prior to your current employment, where

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were you employed?
A I was employed at Twin City Bank.
Q Were you employed by the bank or were you an employee of the holding company, TC Bankshares?
A Both.
Q Could you explain?
A I was paid by Twin City Bank on their payroll. I was an officer in both corporations.
Q Okay. And how long had you been employed at Twin City Bank or what were the dates of your employment, excuse me?
A Doug, it is singular, Twin City Bank.
Q I'm sorry, Twin City Bank.
A I began employment there, I believe, in 1968, or '69, about then.
MR. PORTNOY: What was the bank called at the time? Was it Twin City, sir?
THE WITNESS: Yes, sir.
BY MR. NAPPI:
Q And when did you leave Twin City?
A I left in April of 1991.
Q What position did you hold when you joined

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Twin City?
A It was a management trainee position when I joined it.
Q When did you become an officer of Twin City?
A I don't recall the exact date.
Q Prior to 1980?
A Yes, sir.
Q When did you become an executive officer?
A Would you explain executive officer?
Q All right, let's cut to the chase. When did you become president of Twin City Bank?
A I don't recall the exact date. It was -- I would imagine in the late '70s.
Q Okay. Were you the chairman or the chief executive officer, excuse me?
A No, sir.
Q You were not?
A No, sir.
Q And how long were you president?
A I was president of Twin City Bank until -- I don't know exactly when I took over the title as

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vice chairman of the bank. I don't remember exactly when.
Q So you became president sometime, you believe, in the late '70s, and then you were later made vice chairman?
A Yes, sir.
Q Was that a promotion?
A It is altered responsibilities.
Q How did it alter your responsibilities?
A Well, it changed from what I was doing before to what I was doing as vice chairman.
Q What were you doing as president?
A Well, you have to put that in a frame of reference. I was president for a long period of time and the bank changed its organizational structure several times for a long period.
Q Can you say approximately when you became vice chairman?
A I think it was in '90 or '91.
Q Okay. When you became president, what were your responsibilities?
A When I first became president?

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Q Yes.
A I don't really remember.
Q Do you recall when Twin City Bankshares acquired First Ozark?
A The specific date?
Q No; do you recall that acquisition occurring?
A Yes, sir.
Q Do you recall if it was in 1984?
A Let me make a correction. TC Bankshares did not acquire First Ozark National Bank.
Q Okay, could you explain the transaction, then?
A Yes, sir.
Q Please do.
A TC Bankshares purchased Citizens Bank & Trust, Flippin, Arkansas.
Q Okay, you are right, I'm sorry.
Did that occur in 1984?
A I do not remember.
Q What was your role at the bank as president at Twin City Bank, excuse me, at the time of the

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acquisition of Citizens Bank & Trust by TC Bankshares?
A I can't remember exactly what organizational structure we had at the time. More likely, it was involved in loan activities, in addition to my responsibilities in the holding company.
Q Did your responsibilities ever entail legislative affairs, lobbying?
A Yes, sir.
Q When was that part of your portfolio?
A I don't remember exactly when I was given that responsibility. I was active in it from the very beginning.
Q Okay. When TC Bankshares acquired Citizens of Flippin, were you made a member of the board of Citizens?
A I was chairman of the board, yes, sir.
Q You were chairman of the board. And that was from the date of acquisition?
A I don't remember specifically from the date of acquisition. We were setting up the

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organizational structure, and it was shortly thereafter.
Q Was it prior to Citizens charter conversion or --
A I don't remember.
Q How long did you serve as chairman of the board for Citizens or First Ozark, excuse me?
A I don't remember specifically when I resigned that responsibility. I don't remember if it was when I was still with the bank. Probably when I left the bank but it could have been right before that.
Q So, was it after 1990?
A More than likely, yes.
Q All right. Do you know an individual named Terry Renaud?
A Yes, sir.
Q How do you know him?
A He was my superior and he hired me to join the bank, Twin City Bank, in 1968, or whenever the date was I joined the bank.
Q Okay. So he was your boss?

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A That's correct.
Q Was he your boss at the time that TC Bankshares acquired Citizens?
A Yes, sir.
Q Was he on the board of directors at Citizens?
A Well, at that time it became First Ozark National, but yes, he was on that board.
Q Do you know how long he served on the board?
A No, I don't.
Q Do you know Margaret Davenport?
A Yes, sir.
Q How do you know Margaret Davenport?
A She worked at Twin City Bank.
Q Were you her supervisor?
A I may have been at one time, but I can't specifically remember. It would have involved what the organizational chart was at the time.
Q Was there ever a time where she was your superior in the organizational structure?
A No, sir.

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Q Do you know Susan Cisk?
A Yes, sir.
Q How do you know her?
A She worked at Twin City Bank.
Q What was her role at Twin City Bank?
A She was primarily a real estate lender.
Q Okay. Was she involved at all in the oversight or the management of First Ozark?
A She could have been, yes. The individual --
MS. HILL: Don't speculate.
THE WITNESS: Okay. She could have been.
BY MR. NAPPI:
Q Was she a member of First Ozark's loan committee?
A Not that I can recall.
MR. NAPPI: Let's go off the record for one minute.
(Discussion off the record.)
MR. NAPPI: Let's go back on the record.
BY MR. NAPPI:
Q Do you know an individual by the name of

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Wes Strange?
A Yes.
Q How do you know Wes Strange?
A He was president of the First Ozark National Bank.
Q And do you know Vernon Dewey?
A Yes, sir.
Q How do you know him?
A Vernon was a loan officer in the bank.
Q And do you know Ron Proctor?
A Would you say that again, please.
Q Ron Proctor?
A Yes, sir, I do know Ron Proctor.
Q How do you know Ron Proctor?
A He was also an employee in the bank.
Q As chairman of First Ozark, did you attend every meeting of the board of directors?
A No.
Q No?
A No, sir.
Q How frequently did the board meet?
A It was designed to meet monthly.

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Q And that was throughout the time that you were a chairman of the board?
A Yes, sir.
Q How many meetings would you attend a year?
MS. HILL: If you know. You are in what period? That's kind of a global question. I object to it.
BY MR. NAPPI:
Q All right. In 1984, do you recall how many meetings you attended?
A No, sir.
Q Do you recall if you attended every meeting?
A No, sir.
MR. PORTNOY: Sir, does that mean that you don't recall or that you recall you did not attend every meeting?
THE WITNESS: That, I do not recall. It's been too long ago.
MR. PORTNOY: Thank you, sir.
BY MR. NAPPI:
Q Can you recall how many meetings you

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attended in 1985?
MS. HILL: Doug, you just went out.
MR. NAPPI: Yes, I am getting a little feedback here. Is it better?
MS. HILL: It is better.
BY MR. NAPPI:
Q Mr. Penick, how many meetings did you attend in 1985?
A I do not know.
Q But it is your recollection that you did not attend every monthly meeting?
MS. HILL: He didn't testify to that. Could you rephrase that question.
BY MR. NAPPI:
Q Did you attend every monthly meeting of the board?
MS. HILL: In 1985?
BY MR. NAPPI:
Q No, during your chairmanship.
A I don't recall.
Q Do you recall, in 1986, if you attended every meeting?

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A I do not recall.
Q Okay. Did you ever attend meetings of the loan officers committee?
MR. PORTNOY: The officers' loan committee.
THE WITNESS: Not that I can remember.
MS. HILL: Just for a point of reference for my purposes, we are talking about the First Ozark, aren't we?
MR. NAPPI: Yes.
MS. HILL: Just want to make sure.
MR. NAPPI: No, I hear you.
BY MR. NAPPI:
Q Those meetings of the board that you did not attend, did you typically participate via telephone?
A No, sir.
MR. PORTNOY: I am not sure the testimony is clear, that Mr. Penick recalls whether there were meetings he did not attend.
Is it your testimony, sir, that there were meetings you did not attend but you just can't recall

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when they were?
THE WITNESS: I cannot recall whether I attended all the meetings or not.
MR. NAPPI: Okay.
MR. PORTNOY: So it is not clear to you --
MR. NAPPI: You are right.
MR. PORTNOY: I just want to be clear on the record.
BY MR. NAPPI:
Q Mr. Penick, do you know Bill Clinton?
A President Clinton?
Q Yes.
A Can you explain that in a little more detail?
Q Do you know him personally?
MS. HILL: If you don't understand the question, tell him.
THE WITNESS: You will have to be more precise.
BY MR. NAPPI:
Q Have you ever met Bill Clinton?
A Yes, sir, I have met President Clinton.

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Q When did you first meet Bill Clinton?
A I cannot recall when I first met President Clinton.
Q Did you know him at the time you were the chairman of the board -- at the time you became chairman of the board of First Ozark?
A Yes, sir.
Q Was your relationship with him a personal friendship?
A No, sir.
Q So, was it a business relationship or more of a professional relationship? Excuse me.
A There was no relationship.
Q So, you had met him but you did not have a relationship?
A That's correct.
Q Okay. Do you know Betsey Wright?
A Yes, I do.
Q Did you know Betsey Wright at the time you joined the board of First Ozark?
A Yes, sir.
Q What was the nature of your relationship

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with Betsey Wright?
A There was really no relationship. I just knew who she was. She probably didn't know who I am.
Q Do you recall when you first met her?
A No, I do not.
MR. PORTNOY: Sir, let me interject. Do you recall if you ever met her at all?
MR. HOOVER: I think he testified that he didn't recall when he met her.
MR. PORTNOY: I apologize. I wasn't sure if the testimony was he knew who she was or he had actually met her.
MR. NAPPI: Let's clarify that.
BY MR. NAPPI:
Q Have you ever met Betsey Wright?
A I have met Betsey Wright. I can't remember when I met her.
Q Okay. Do you know Sam Bratton?
A No, sir. I know who Mr. Bratton is, I do not know him personally.
Q Okay. So you have never met Mr. Bratton?

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A Not that I can recall.
Q Have you ever met Hillary Rodham Clinton?
A Yes, I have met Mrs. Clinton.
Q On how many occasions?
MS. HILL: If you know.
THE WITNESS: I do not know.
BY MR. NAPPI:
Q You met her more than once?
MR. HOOVER: Maybe you better define what you mean by "met her more than once." Did he see her?
MS. HILL: Like in a receiving line? I think we can get to it a little bit more quickly that way.
MR. NAPPI: Okay.
BY MR. NAPPI:
Q Have you ever had contact with Hillary Rodham Clinton --
MR. HOOVER: Would you define "contact"?
MR. NAPPI: Will you let me finish my question.
MR. HOOVER: I'm sorry. I thought you were

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finished.
BY MR. NAPPI:
Q Have you ever had contact with Hillary Rodham Clinton regarding any loan that she may have had outstanding from First Ozark bank?
A In what capacity?
Q Did you ever have -- did you ever discuss the loan that Whitewater Development Corporation had outstanding from First Ozark Bank with Hillary Clinton?
A Not that I can recall.
Q Did you ever have any contact with Hillary Rodham Clinton regarding the Whitewater Development Corporation loan?
A I presume you are talking about First Ozark National Bank?
Q Yes.
A Yes.
Q Can you explain the circumstances of that contact?
A I wrote Mrs. Clinton a letter, asking her if she would get a current financial statement to the

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bank.
Q Do you recall the date of that letter?
A No, sir.
Q Was it in 1987?
A I don't know.
Q Do you have a copy of that letter?
A No, sir.
Q What prompted you to write that letter?
A I was at a meeting at First Ozark National Bank, and we were reviewing a list of documentation deficiencies, and the Clintons' name was on that list for not having a current financial statement. I volunteered to write Mrs. Clinton a letter, to see if I could secure that for the bank.
Q Who were the participants in this meeting?
A I can't remember.
Q Was Ron Proctor a participant?
A I can't remember.
Q Was Vernon Dewey?
A I can't remember.
Q Was Wes Strange?
A Probably, but I am not certain.

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Q Was this a meeting of the board of directors?
A No, sir. Well, let me clarify that. It was a meeting of the board of directors' loan committee.
Q Can you place this meeting in time?
A Not exactly, no, sir.
Q I am not asking for a specific day. Can you place it in a year?
A No, sir.
Q Was it the common practice of First Ozark's board of directors' loan committee to review document deficiencies?
A Yes, sir.
Q Was there any threshold as to loan amount?
A No, sir.
Q So every file at the bank was reviewed by the loan committee?
MS. HILL: Well, I think we need --
MR. NAPPI: You are right. Every document deficiency --
MR. PORTNOY: I believe he testified. I

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think the confusion, Doug, is that Mr. Penick testified that he recalls seeing the Clintons' name on a document deficiency list, which is not necessarily the same as reviewing the loans. The board may well have been reviewing the list of document deficiencies.

MR. NAPPI: Yes, but I am not saying reviewing the loan. I am saying for every loan the bank had outstanding where there were document deficiencies, the loan committee was apprised.

MS. HILL: May I interrupt here? I think we are talking about two different loan committees, Doug. If you could be more specific as to which one you are talking about.

MR. NAPPI: The board of directors' loan committee.

MS. HILL: Right. Does he need to repeat that for you?

THE WITNESS: He does.

MS. HILL: All right.

BY MR. NAPPI:

Q We are focusing on the board of directors'

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loan committee. Was it the practice of that loan committee to review or to be apprised of every document deficiency that existed in every loan file at First Ozark?

A It was the practice of the loan committee to review the document deficiency report list.

Q And what was your knowledge of what that document deficiency list -- how that was compiled?

A It was either compiled through an internal loan audit program or from a bank examination report, normally.

Q Do you recall whether this particular list, the one that contained the deficiency on the Whitewater loan, was compiled as a result of an internal audit or an examination by the regulators?

A No, sir, I do not.

Q Okay. Was this the first time you recall being apprised of a deficiency in a loan file?

A No --

Q Excuse me, that wasn't the question I meant to ask.

Is it the first time you recall being

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apprised of a deficiency in the Whitewater loan file?
A I can't specifically recall.
Q Was this the first time you had volunteered to help collect documents for a credit file?
A No, sir.
Q Do you recall the other instances in which you did it?
A They are too numerous to recall.
Q So you had done it previous to this?
A I'm sorry. I didn't hear you.
Q So you had previously volunteered to help collect documents for a credit file?
A Yes, sir.
Q But you don't recall any specific occasions?
A No, sir. It was just a normal practice.
MS. HILL: If you get tired or anything like that, let us know.
THE WITNESS: I am all right.
MR. NAPPI: Yes, if you feel like taking a break, let me know.
THE WITNESS: Thank you.

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BY MR. NAPPI:
Q If we could focus again on this meeting of the loan committee, do you recall who made the presentation of document deficiencies or how did they do that work would be more pertinent? Did the loan committee members sit down and review a list of document deficiencies?
A Yes, sir, among other things. Typically, it was part of a report package we would get.
Q Do you recall who made the presentation of that report?
A No, generally, it was just put together by administrative people and directors. It was at their seat and they would go through it and there would be an agenda and we would follow that agenda.
Q Do you recall a time when the Arkansas legislature was considering a bill that was enacted as Act 539?
A Yes, sir.
Q Can you place this meeting at the same time as that bill was under consideration?
A What meeting?

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Q I'm sorry, the meeting regarding the -- the loan committee meeting that we had discussed earlier.
A No, I cannot.
MR. PORTNOY: Again, sir, could you please clarify whether that means you recall the meeting being at a different time from the consideration of the Act or you simply don't recall whether they were at the same time.
THE WITNESS: I don't recall whether they were in the same year or not.
MR. PORTNOY: Thank you, sir.
BY MR. NAPPI:
Q Do you recall whether it was prior to that Act's consideration?
A No, I don't.
Q Okay. So at this meeting of the loan committee, it came to your attention that a financial statement was needed from the Clintons for the Whitewater Development loan.
You volunteered to seek a financial statement; is that correct?

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A Yes, sir.
Q Were you provided with a form of financial statement to forward to them?
A I secured one from Twin City Bank.
Q Okay. Did you ask for any -- were you provided with any other information regarding this loan to convey to the Clintons?
A No, sir. Not that I can recall.
Q All right. Then you wrote a letter to Mrs. Clinton requesting her to complete the financial statement?
A Yes, sir.
Q Did you include the financial statement?
A I believe it was customary that we include a form with it for the convenience of our customer.
Q And was there any other follow-up regarding this financial statement?
A What do you mean, "follow-up"?
Q Sure. All right, you send this letter to Mrs. Clinton. Why did you send it to Mrs. Clinton rather than the Governor?
A It was a personal and confidential matter,

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and I could not see sending it to then-Governor Clinton at either the Capitol or the Governor's mansion.

MR. PORTNOY: I believe he said because it wasn't anybody's business.

MS. HILL: No, he said because it would go through too many hands.

MR. PORTNOY: Thank you. I completely misheard that.

MS. HILL: Yes, and this was a personal matter is what he said.

MR. PORTNOY: Thank you very much for clarifying that for us, Martha.

BY MR. NAPPI:

Q Where did you send it?

A I sent it to Mrs. Clinton at the Rose Law Firm.

Q Weren't you concerned it would go through other hands there?

A No, sir.

Q You thought it would go directly to her?

A Yes, sir.

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Q Did anyone direct you to send it to Hillary Clinton rather than Bill Clinton?

A No, sir.

Q Were you the only employee at Twin City Bank involved in obtaining this financial statement or seeking to obtain the financial statement?

MS. HILL: If he knows.

THE WITNESS: I really don't know.

BY MR. NAPPI:

Q Did you ever talk to Margaret Davenport about the need to obtain this financial statement?

A Not that I can recall.

Q Okay. Could I direct your attention to the first record I would like you to look at. It is a photocopy of handwritten notes. It appears to be on personalized stationery or personalized note pad that says "Hillary Rodham Clinton.

MR. HOOVER: Doug, this is personalized.

MS. HILL: He is getting ready to say it.

MR. HOOVER: I'm sorry, go ahead.

BY MR. NAPPI:

Q That is marked "Hillary Rodham Clinton"

along the top and it is Bates stamp number, and it might be difficult to read on your copy, DKRT 700294.

MR. PORTNOY: Can we go off the record for one second, Doug?

MR. NAPPI: Sure, go off the record.

(Discussion off the record.)

MR. NAPPI: Let's go on the record. Let the record reflect that Martha Hill is leaving the deposition.

MS. HILL: To go to Austin to catch a flight. Thank you.

THE WITNESS: Let's continue if you want.

BY MR. NAPPI:

Q Would you take a moment to review this record?

A Yes, sir.

Q Does this record help refresh your recollection as to whether you have talked to Margaret Davenport?

A I had not seen this until yesterday.

Q That's not the question I asked.



A Please repeat the question.

Q Having reviewed this record, does it refresh your recollection as to any conversation you might have had with Margaret Davenport?

A No, it doesn't.

Q You don't recall ever conveying the information on this record to Margaret Davenport?

A No, I do not.

Q And you don't have any recollection of asking Margaret Davenport to follow up with Hillary Rodham Clinton regarding the financial statement?

A I can't recall that I did, no, sir.

Q You don't have any recollection of ever asking Margaret Davenport to approach Hillary Rodham Clinton regarding the Whitewater loan that First Ozark held?

A I cannot recall talking to Margaret about it. No, no.

Q So you forwarded a financial statement to Mrs. Clinton under your offer letter. Do you recall whether you received the financial statement back?

A I did not.

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Q Did you ask her to direct it to First Ozark?
A I can't recall.
MR. NAPPI: We have to go off the record so the reporter can take care of the business that needs to be attended to to get the quick turnaround on these things. So we will go off the record.
(Discussion off the record.)
MR. NAPPI: Let's go back on the record.
BY MR. NAPPI:
Q Let's return to our consideration of the handwritten notes that I had asked to you look at.
Did you ever have any conversations with Margaret Davenport regarding the Whitewater Development loan?
A Not that I can recall.
Q Did Margaret Davenport ever speak to anyone at First Ozark regarding this loan?
A I don't know about that.
Q Did Terry Renaud ever speak to Margaret Davenport about the Whitewater loan?
A I have no knowledge of that.

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Q At this point in time, or at the point in time when you volunteered to forward a financial statement to Mrs. Clinton, did you know Mrs. Clinton? Had you met her previously?
A Yes, sir.
Q What was the nature of your relationship?
MR. HOOVER: I thought we went into that.
MR. NAPPI: No, we started to and --
MR. HOOVER: Oh, okay.
THE WITNESS: I knew Mrs. Clinton from events, primarily fundraising events, those kind of events. I was also involved in the Chamber of Commerce as chairman, Chamber of Commerce, in 1987, so the governor at the time and Mrs. Clinton were at a lot of groundbreakings and things like that of importance, and I would see them on those occasions.
In addition, the Rose Law Firm was representing Twin City Bank in an issue at some time and I cannot place the exact time when that issue was and I had some contact with Mrs. Clinton on that issue.
Q Had you ever contacted Mrs. Clinton to

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discuss legislative or regulatory matters?
A Not that I can recall.
Q Did you ever contact Governor Clinton to discuss legislative or regulatory matters?
MR. HOOVER: You better define "contact."
BY MR. NAPPI:
Q Do you recall any -- contact with would be any meeting, any telephone call, any face-to-face conversation, any letter or notes?
A That's awfully broad. I mean, I would write letters. Governor Clinton would be in meetings where I was in attendance.
Q At this time, again, I am focusing on the time when you volunteered to get the financial statement.
A Yes, sir.
Q Prior to that time, had you ever had a one-on-one meeting with Governor Clinton?
A Not that I can recall.
Q Had you ever met with Governor Clinton -- strike that.
Other than generally attended public events

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like you discussed, your role in the Chamber of Commerce, putting those events aside, had you ever met with Governor Clinton?
A Yes, sir.
Q Can you recall specifically?
A Well, generally, they were banking-type meetings, we were talking about banking issues or the economy.
Q Would he meet with you and other members of Twin City Bank or would it be more of a like legislative coalition meeting, like under the auspices of the Arkansas Bankers Association?
A It was more of the latter, an industry-type of meeting.
Q So you forwarded the financial statement to Mrs. Clinton. Did she respond to you?
A No, sir.
Q You never received a response letter?
A Not that I can recall.
Q You didn't receive a phone call from her?
A Not that I can remember.
Q And you did not call her to insure that she

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had received the financial statement?
A Not that I can remember.
Q So why did you take it upon yourself to forward it to her, if you were, in essence, just mailing a financial statement to her?
A Well, there was a cover letter and I was asking her if she could help get this financial statement completed and get it returned to the bank.
Q Why did you think your cover letter would effectuate that occurring?
A Well, nothing heretofore had worked, so I was hoping that this would work.
Q Did you discuss with the employees of First Ozark why they had not been able to or what steps they had taken to try to obtain the financial statement?
A I cannot recall whether we discussed that or not.
Q But you knew they were having difficulty obtaining a financial statement?
A The financial statement was not in the bank.

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Q Was this the first time they had had trouble getting a financial statement from the Clintons?
A I do not know.
Q Subsequent to this event, where you took it upon yourself to forward the financial statement, did they have trouble obtaining subsequent financial statements?
A Not that I can remember.
Q Do you recall other instances where you saw the Whitewater loan on the document deficiency list?
A No, sir, I cannot recall.
Q Do you recall Margaret Davenport ever telling you that she had had contact with Hillary Rodham Clinton regarding the Whitewater loan?
A I cannot recall that she did.
Q All right, could I direct your attention to the other handwritten note page, it is also on personalized stationery. It says "Hillary Rodham Clinton" across the top.
A Would you identify the Bates stamp number?
Q DKSN 029262.

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A Yes, I have it.
Q Okay. Take a moment to review the note.
A Yes, sir.
Q Do you recall ever providing the information memorialized in this note to Hillary Rodham Clinton?
A No, sir.
Q Do you recall ever conveying it to someone else to relay to Hillary Rodham Clinton?
A No, sir.
Q Do you recall ever asking Margaret Davenport to reach out to Hillary Rodham Clinton?
A No, I cannot recall doing that.
Q Not just on this loan; on any matter.
A I can't specifically recall, no, sir, I don't. I can't.
Q Did you know Margaret Davenport was a friend of Hillary Rodham Clinton's?
A I did.
Q How did you know that?
A Margaret would tell us that she was.
Q Did she ever volunteer to contact Hillary

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Rodham Clinton on any matter?
A I cannot recall that she did.
Q Did she ever talk to Hillary Rodham Clinton about pending legislation?
A Did I?
Q No, did Margaret Davenport?
A Not that I am aware of.
Q The next item I would like to direct your attention to is a record designated "personal financial statement," and in the right-hand corner it is designated "Twin City Bank."
Now, you have two copies of this, one of which was provided to you this morning. Could you look at the one we provided you this morning.
MR. PORTNOY: For the record, Doug, is this the financial statement that appears to be dated March 24, 1987?
MR. NAPPI: Yes.
BY MR. NAPPI:
Q Do you have that record in front of you, Mr. Penick?
A Yes, sir.

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Q Have you ever seen this document?
A Just this morning, yes, sir.
Q Prior to this morning, you have never seen this document?
A Well, there was a copy faxed yesterday.
Q Prior to yesterday, have you ever seen this document?
A No, sir. Not that I can remember.
Q The next record I would like you to focus on is entitled "file notes, Whitewater Development Inc., Loan 5885." It is dated January 6, 1987. It is two pages long, and it's got handwritten serial numbers on it, D 149 and D 150.
MR. HOOVER: That came in the morning fax?
MR. NAPPI: Yes, sir.
MR. PORTNOY: The record should reflect that what appears to be the same document was produced as Bates number DKSN 006268.
MR. NAPPI: It is the same record produced from a different source.
BY MR. NAPPI:
Q Do you have that in front of you?

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A Yes, sir.
MR. HOOVER: I don't see any Bates number on ours.
MR. NAPPI: No. All right, as you can imagine, we have received -- let's go off the -- no, this should be on the record.
We've received what appear to be the same documents from different sources, and Mr. Portnoy's working off a record that was produced from one source; I faxed you this record, pursuant to the confidentiality agreement that I obtained from another source. See, they both were subpoenaed, just from different sources. We received the same record.
MR. PORTNOY: Off the record for a second.
(Discussion off the record.)
MR. NAPPI: Let's go back on the record.
BY MR. NAPPI:
Q Mr. Penick, do you recall ever seeing this record before this morning?
A Not that I can recall.
Q Could you take a moment to review it?

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A I have.
Q This doesn't help you place in time the meeting at which you volunteered to try to obtain the Clinton's financial statement?
A No, sir.
Q In 1987, Twin City Bank was headquartered in North Little Rock; is that correct?
A Yes, sir.
Q Was it a state chartered bank or federally chartered bank?
A State chartered bank.
Q At that point in time, 1987, did Arkansas have bank branching laws that were somewhat restrictive?
MR. HOOVER: What are you -- that's a pretty broad term, "somewhat restrictive."
MR. NAPPI: Okay.
BY MR. NAPPI:
Q In 1987, were the bank branching laws that were in effect in Arkansas restricting Twin City Bank's business growth?
MR. HOOVER: If you know.

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THE WITNESS: That's a matter of opinion.
BY MR. NAPPI:
Q What's your opinion?
THE WITNESS: Could we go off the record for a minute?
MR. NAPPI: Actually, if I could just get that on the record.
THE WITNESS: I need to ask counsel.
MR. HOOVER: We can step outside.
MR. NAPPI: If you want to talk to your counsel, we will go off the record.
THE WITNESS: One second.
(Discussion off the record.)
MR. NAPPI: Let's go back on the record.
BY MR. NAPPI:
Q Do you recall the pending question?
A No, sir. Please repeat it.
MR. NAPPI: Could you reread the question
(The reporter read the record as requested.)
BY MR. NAPPI:
Q Can you answer that question?
A Well, it is a matter of opinion, the bank

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was doing very well without any change in the branching laws.
Q So, what was your opinion? After all, you were the bank president.
A My opinion was there would be more opportunities with expanded branching opportunities.
Q Was that opinion shared by Mr. Renaud?
A Yes.
Q Was that opinion shared by Frank Lyon?
A I don't know about Mr. Lyons's opinion.
Q But Mr. Renaud, who is your superior and yourself were both of the opinion that there would be more opportunity?
A Yes, sir.
Q So you would have supported legislation at that time that would have allowed Twin City to branch more -- well, let me rephrase that.
Did you support the legislation that recently was enacted as Act 539 of 1987 or did Twin City Bank take an official position on this legislation?
A Yes.

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Q And what was that official position?
A It was proactive in favor of similar legislation.
Q What do you mean by "similar legislation"?
A Well, this legislation and/or similar legislation.
Q Okay. Were there other similar bills being considered by the legislature in 1987?
A I cannot specifically recall.
Q You said they were "proactive." What do you mean when you used that term?
A We were encouraging our legislators and others that we -- that would listen to us to vote for a change.
Q Who drafted the legislation, or the legislative proposal that became Act 539.
A I cannot recall.
Q Was it drafted at Twin City bank's request?
A I cannot recall.
Q Were you personally involved in the drafting?
A I don't specifically remember.

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Q Were you involved in initiating the drafting of this legislation?
A I reviewed the draft before it was introduced. But I don't think I drafted it or took part in drafting it.
Q Do you recall who gave you the draft that you reviewed?
A I cannot remember.
Q Was it drafted by lawyers at Twin City Bank?
A I don't think Twin City Bank had any lawyers at that time, on staff.
Q Was it drafted by outside counsel for Twin City Bank?
A I think I already answered that.
Q I don't recall.
A I said I did not know who drafted it, I think.
Q Who introduced this legislation, the legislators?
A I can't even recall that.
Q Was it introduced -- was companion

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legislation introduced in both houses?
A I cannot remember that.
Q Did you personally request that this legislation be introduced?
A To whom?
Q By the legislators that introduced it.
A I can't even remember who introduced it. I think it was introduced in the House first, and then later in the Senate. But I cannot specifically recall.
Q And you don't recall whether you personally asked for the introduction of this legislation?
A No, sir, I don't.
Q Do you know if anyone at Twin City Bank asked that this legislation be introduced?
A No, I do not.
Q Were any other banks proactive in getting Act 539 passed?
A Yes, sir.
Q What banks were those?
A The ones that I can remember were Union National Bank in Little Rock, one of the banks in

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Jacksonville. I can't remember which one. A chain of banks owned by Mr. Walton up in Bentonville, and there were probably other -- there were other banks out in the state that I can't remember were active in it.

MR. PORTNOY: Sir, could I ask you to clarify, that was Jacksonville, Arkansas --

THE WITNESS: Yes, sir.

MR. PORTNOY: -- not Jacksonville, Florida.

THE WITNESS: That's correct.

BY MR. NAPPI:

Q Who else reviewed this legislation before it was introduced?

A I have no idea.

Q Did Mr. Renaud?

A I do not know.

Q Did representatives from any other bank?

A I know Berry did, Paul Berry who was at Union National Bank at the time.

Q Were there banks who opposed this legislation?

A Yes, sir.

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Q Did the Arkansas Bankers Association oppose this legislation?

A My recollection is that they do.

Q Did the Independent Bankers of Arkansas?

A My recollection is that they did.

Q Both groups opposed the legislation?

A As best as I can recall, yes.

Q Okay. Were there any banking trade associations in Arkansas that supported the legislation?

A I think the Arkansas Association of Bank Holding Companies was in favor of it, but I can't specifically recall them going on record as doing so.

Q Were the majority of the banks in Arkansas supportive of this legislation?

A Majority in terms of number or assets size or --

Q In terms of number?

A No, majority would be opposed to it.

Q Majority in assets size?

A I would have to run those numbers.

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Q Yes, okay. Did you ever discuss Act 539, or the legislative proposals that became Act 539, with Governor Clinton?
A Not that I can recall.
Q Did you ever discuss them with Hillary Rodham Clinton?
A Not that I can recall.
Q Did you ever discuss it with Marlon Jackson?
A More than likely, yes.
Q Can you recall any specific conversations?
A No, sir.
Q Did Marlon Jackson support this legislation as introduced?
A I cannot remember.
Q Did he support it upon passage or did he support its passage by the legislature?
A You will have to ask him.
Q Did you ever discuss this legislation with Betsey Wright?
A Not that I can recall.
Q Did you ever discuss it with anyone from

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the Governor's office?
A I can't recall a specific discussion or a specific meeting when we talked about it, no.
Q Do you know if Mr. Renaud ever discussed it with the Governor?
A I do not.
Q With Mrs. Clinton?
A I do not.
Q With Marlon Jackson?
A I do not.
Q With Betsey Wright?
A I do not.
Q With anyone from the Governor's office?
A I do not.
Q Did any representative of Twin City Bank ever discuss this legislation with the Governor?
A Not that I know of.
Q What about Mrs. Clinton?
A Not that I know of.
Q Same question with respect to Marlon Jackson?
A Not that I know of.

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Q What about Betsey Wright?
A Not that I know of.
Q Anyone from the Governor's office?
A Not that I know of.
Q Did you ever discuss this legislation with Bruce Lindsey?
A Not that I can recall.
Q Do you know Bruce Lindsey?
A Yes, I do.
Q Did you ever discuss it with Web Hubbell?
A Not that I can recall.
Q Do you know if anyone from Twin City Bank ever discussed this legislation with Mr. Lindsey?
A Bruce Lindsey?
Q Yes.
A Not that I know of, no, sir.
Q What about Web Hubbell?
A Not that I am aware of.
Q Do you know an attorney at the Rose Law Firm whose last name is Byrd?
MR. HOOVER: Excuse me, repeat that question.

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MR. NAPPI: I was asking the witness if he knew an attorney at the Rose Law Firm whose last name is Byrd.
THE WITNESS: There is a Byrd attorney, and I -- probably a lot of them anyway.
And if that's who I think it is, yes, I do know him. But you will have to give me more information for me to be accurate.
BY MR. NAPPI:
Q That person you are thinking of, did you ever speak to him regarding Act 539?
A I cannot recall.
Q I would like to direct your attention to a May 28, 1987 letter on the Friday, Eldredge & Clark law firm letterhead.
MR. HOOVER: Now that came in our package of yesterday.
MR. NAPPI: Yesterday, yes.
THE WITNESS: Yes, sir, I have it.
BY MR. NAPPI:
Q Prior to yesterday, do you recall seeing this letter?

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A Yes, sir.
Q Do you recall the circumstances where you saw this letter?
A I do not, no.
Q Did you see it contemporaneous with its drafting or in May of 1987?
A With the drafting of the letter?
Q Well, the letter is dated May 28, 1987.
A Yes.
Q Do you recall if you saw it in that time period, in the spring of 1987?
A I cannot specifically recall when I saw the letter.
Q Did you see it prior to the passage of Act 539?
A I cannot specifically recall.
Q Did you know that Act 539 was of questionable constitutionality?
A Yes, I did.
Q How did you come to know that?
A I was involved in litigation on that issue.

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Q Who was the litigation with?
A First Commercial Bank and others sued Twin City Bank. I am not sure of the defendants and plaintiffs, but those were the sides on the constitutionality of this issue.
Q That was a case in Arkansas State Court; I take it?
A Yes, sir.
MR. PORTNOY: I'm sorry, sir, who are the defendants?
THE WITNESS: I said I am not exactly certain of the plaintiffs or the defendants, but the sides were First Commercial versus Twin City, and the issue was the constitutionality of Act 539.
BY MR. NAPPI:
Q And so it was after the Act was enacted into law?
A Yes, sir.
Q And they were attempting to stop you from branching into Little Rock or they were trying to close your Little Rock branches --
A That's correct.

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Q -- prior to Act 539's passage by the legislature?
MR. HOOVER: Which Act is that?
MR. NAPPI: 539.
BY MR. NAPPI:
Q So the legislation that would allow branching in Pulaski County, prior to that legislation's passage by the Arkansas legislature, were you aware of questions regarding the Act's constitutionality?
A Yes, sir.
Q Did that concern you?
A Yes, sir.
Q Who apprised you of those concerns?
A I can't remember specifically who.
Q Did you take any actions to try to remedy what could be seen as constitutional problems?
A We defended the lawsuit.
Q No, I mean during the legislative process.
A Before passage of the bill?
Q Yes.
You had a bill where there was a question

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whether it violated the constitutional prohibition against local laws; is that correct?
A Restate that, would you, please.
Q The bill we are discussing, this 1987 legislation, that liberalized the branching law for counties with over 200,000 people, there was a question as to whether this was violative of the Arkansas Constitution, and the prohibition against the enactment of local laws; is that correct?
A Yes, there was a question about its constitutionality; I think I mentioned that before.
Q Now I want to focus your attention on the time prior to the enactment of the law.
A Yes, sir.
MR. HOOVER: When was the law enacted?
MR. NAPPI: The law was enacted on -- let me dig it out.
MR. PORTNOY: Sir, according to our records, the bill was signed -- Act 539 was signed by Governor Clinton on April 1st, 1987.
MR. NAPPI: Is that helpful?
MR. HOOVER: That's helpful.

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BY MR. NAPPI:
Q Prior to that time, did you ever take any action to try to remedy the possible constitutional problems with this law?
A Not that I can recall.
Q Did you have any discussions with anyone in the Governor's office regarding the constitutionality of this law?
A Not that I can recall.
Q The next record I would like you to look at is a June 17, 1987 letter from Candace Franks, the Arkansas state banking department, to Bob Birch who at that time, this letter purports, was executive vice president of Twin City Bank.
A I have it.
Q Do you recall seeing this letter prior to yesterday?
A Yes, sir.
Q Do you recall the circumstances in which you saw it?
A Not specifically, no.
Q Do you recall why Twin City Bank decided to

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file an application prior to Act 539's effective date?
A We were trying to get a branch, branches approved in Little Rock.
Q But the law had not become effective yet, and you had already filed the application; do you recall why you did that?
A No, I cannot.
Q Was it due to concerns that this law might not be upheld in court?
A I can't specifically recall.
Q Do you recall whether the lawsuit that you had referred to, had been filed as of this date, June 17?
A No, sir, I do not know.
MR. NAPPI: We will go off the record for a minute.
(Discussion off the record.)
MR. NAPPI: We can go back on the record.
BY MR. NAPPI:
Q The next record I would like you to look at is a July 9, 1987 letter on Twin City Bank letterhead

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to Bill Houston at the FDIC in Memphis. Do you have that in front of you?
A Yes, sir.
Q Have you had an opportunity to review it?
A Yes, sir.
Q Have you ever seen this letter prior to yesterday?
A Not that I can remember.
Q On the first page is mentioned that Edward M. Penick, Jr. is one of the partners in Capital Towers; do you see that?
A Yes, sir.
Q Is that true, at that point in time were you a part owner of Capital Towers?
A Yes, sir.
Q Okay. Is that building now known as TCBY Towers?
A Yes, sir.
Q Are you still a part owner?
A Yes, sir.
Q Is that the building where Twin City Bank established a branch or one of its branches in Little

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Rock?
A Yes, sir.
Q Do you recall when the decision was made to establish a branch in that building?
A Not specifically. No, sir.
Q Do you recall if it was prior to the enactment of Act 539?
A Yes, sir.
Q You recall that it was, in fact, that decision was made prior to the enactment of 539?
A Yes, sir.
Q So you were fairly certain Act 539 would become enacted?
A No, sir.
Q It sounds like there was substantial opposition to this Act.
MR. HOOVER: Is that Act 539?
MR. NAPPI: Yes, sir, excuse me.
BY MR. NAPPI:
Q Is that correct? Was it a controversial Act?
A The legislature passed it overwhelmingly.

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Q But was it controversial amongst the banking community?
A You will have to talk to the banking community.
Q Well, you were a member of the banking community at that time. You were president of one of the largest banks in the state; is that correct?
A That's correct.
Q Would it be unreasonable to assume that you had a sense of the banking community's pulse on this particular legislation?
A I guess.
Q Was it your sense that there was strong opposition in the banking community against this Act?
A There was opposition against it, yes, sir.
Q Do you recall if there were a lot of cosponsors of this legislation when it was introduced in the House?
A I can't even remember who sponsored it.
Q So you do not recall the number of cosponsors?
A No, I cannot.

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Q What about in the Senate, do you recall the number of cosponsors there?
A No, sir, I don't.
Q Do you recall having a lot of difficulty -- did you lobby on behalf of this Act in the legislature?
A Yes, I did.
Q Do you recall it being a difficult job, lobbying and rallying support behind this legislation?
A Well, all legislation is difficult. I spent a lot of time lobbying for this Act.
Q Did the Governor take an official position on this Act?
A Not to my knowledge.
Q Did you ever lobby the Governor with respect to this Act?
A Not that I can remember.
MR. HOOVER: Excuse me, I am not sure I understand the word "lobby."
BY MR. NAPPI:
Q Did you ever meet with the Governor

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regarding the merits of this legislation, whether this legislation should be passed, whether it should be amended?

A Not that I can remember.

Q Did you ever meet with anyone from the Governor's office regarding this legislation and its passage?

A Members of his staff could have been in a large group of bank meetings, but I didn't meet with any of them one-on-one.

Q Did you ever make an appointment to specifically meet with a member of the Governor's office regarding this legislation?

A Not that I can recall.

Q All right, the next document I would like to direct your attention to, again, it is handwritten notes, it's Bates stamped JRTS 00002.

MR. HOOVER: Excuse me, I am having trouble.

THE WITNESS: Was that yesterday's or today's?

MR. NAPPI: That was yesterday's package.

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THE WITNESS: I can't find it.

MR. HOOVER: I don't know what you are referring to.

MR. NAPPI: There's some handwritten notes. The first line says "BC/Bocarville."

MR. HOOVER: Okay. I think I know what you are talking about now. B-o-c-a-r-v-i-l-l-e.

(Pause.)

Okay. I think we located it. It says BC Bocarville/something Hartsfield.

MR. NAPPI: Yes, sir.

MR. HOOVER: Under that January 25.

MR. NAPPI: Yes, sir.

MR. HOOVER: Okay, do you have that, Mr. Penick?

THE WITNESS: Yes, I do.

BY MR. NAPPI:

Q Do you recall a special session of the Arkansas legislature being called in 1988?

A Yes, sir.

Q Do you recall one of the subject matters was an omnibus banking bill?

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A Yes, sir.
Q Do you recall the circumstances that led to that bill, or the call going out for a special session?
A Yes, sir.
Q Could you explain the circumstances, as you recall them?
A Well, there was pressure to change the branching laws in the state to make them more realistic and competitive with other states.
Q Was there any concern about a recent federal court decision?
MR. HOOVER: Can you be more specific with that?
MR. NAPPI: Sure.
BY MR. NAPPI:
Q Do you recall that there had been a 5th Circuit Court decision, upholding a comptroller of the currency opinion, or ruling, regarding branching by national banks in Mississippi?
A Yes, sir.
Q Do you recall that as being a motivation

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for this special session?
A Yes, sir.
Q Were people very concerned about this opinion in the Arkansas banking community?
A Some of them were. Yes, sir.
Q Were you?
A Yes, sir.
Q Can you quantify what was the primary issue that led to the call for a 1988 special session?
A I think the fear by some bankers was that the same thing was going to happen in our state.
Q And you think that was the reason the Arkansas Banking Association was working to get a special session?
MR. HOOVER: I'm not -- was your question, Doug, the primary reason the special session was called --
MR. NAPPI: Yes.
MR. HOOVER: -- was to pass legislation or consider legislation in banking?
MR. NAPPI: Yes.
MR. HOOVER: Now, if you know, Mr. Penick,

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you can answer that question.
THE WITNESS: I don't know. I cannot recall the Arkansas Bankers Association's specific position on this issue at the time.
BY MR. NAPPI:
Q Do you recall whether there was one primary concern in the banking community at that time that led to the desire to have this banking bill taken up in a special session?
A I don't remember one primary concern, no, sir.
Q All right, if you could focus for a moment on the notes that I directed your attention to earlier?
A Yes, sir.
Q Do you know who Bocarville is?
A Yes, sir.
Q Do you know where he was employed in 1988?
A I think he was executive director of the Arkansas Bankers Association.
Q Do you know who W. Hartsfield is?
A I presume that's Wayne Hartsfield.

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Q And do you know where he was employed in 1988?
A At one of the banks in Searcy, Arkansas.
Q Did he have a role in the Arkansas Bankers Association?
A I don't know.
Q Did you attend this meeting on January 25th?
A I don't know.
MR. HOOVER: What year now?
MR. NAPPI: 1988.
THE WITNESS: I don't know.
MR. PORTNOY: For the record, the document itself doesn't indicate what year the meeting occurred. I take it Mr. Nappi is surmising it was January 25, 1988.
MR. NAPPI: Yes, it does not specifically say January of 1988, but it refers to the special session, it refers to bank branching issues and the McFadden Act. I deduced it from that.
BY MR. NAPPI:
Q Do you recall attending this meeting?

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A No, I cannot recall.
Q The first line under January 25th says "opposition."
MR. HOOVER: Sorry.
BY MR. NAPPI:
Q The first line under January 25 reads "opposition-TCB"; is that a common acronym for Twin City Bank?
A Yes, sir.
Q Did Twin City Bank oppose this legislation?
A I don't know what legislation you were referring to at that time.
Q 1988 -- the proposed Omnibus Banking bill that was taken up in 1988?
A I can't remember what our position was at that time.
Q "At that time" being January 25th?
A If this is January 25, 1988, I cannot remember.
Q Do you recall ever discussing this legislation with Bocarville or Mr. Hartsfield?
A No, I cannot recall.

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Q Do you recall Twin City ever taking an official position on this legislation?
MR. HOOVER: If you know.
THE WITNESS: I think we did. I think we wrote some letters and did some lobbying on that issue.
BY MR. NAPPI:
Q Were you opposed to it?
A I don't think we were, but I can't specifically recall.
Q Did you have any specific concerns regarding this legislation?
A I can't remember the details of the legislation at the time.
Q Do you recall any concerns regarding the Arkansas law that precluded banks from opening branches within 300 feet of another bank's offices?
A Yes, I do.
Q Was that an issue that was in play in the debate regarding this Omnibus Banking bill?
A I think it might have been at one time.
Q Was that a concern of Twin City Bank?

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A It would have been if it had been passed.
Q What do you mean "if it had been passed"?
A If the 300-foot provision would have stayed in there, we would have had trouble with some of our branches because they would not be in compliance.
Q So, as initially drafted, the 1988 branching bill had this 300-foot limit in it?
A I don't have the legislation here, the draft of the legislation here in front of me, so there is no way I can recall whether it did or didn't.
Q Do you recall if it became an issue?
A I think it was an issue, yes.
MR. PORTNOY: Doug, perhaps in fairness to the witness, we should point out, this Act 539, the 1987 legislation did contain a 300-foot limitation of the nature that we have been discussing.
MR. NAPPI: Yes, for banks outside of -- well --
MR. NAPPI: Let's go off the record.
(Discussion off the record.)
MR. NAPPI: Let's go back on the record.

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I think we left off with the discussion about the 300-feet rule and I asked Mr. Penick whether it was a concern of his with respect to the 1988 legislation. He wasn't sure whether it had been included in that legislation since he didn't have a bill in front of him. I have a letter that was faxed to you, it is a Twin City Bank letter of May 23, 1988, Bates stamped JRTS 00142.
MR. HOOVER: May when?
MR. NAPPI: May 23, I think. It is to Marlon Jackson.
MR. HOOVER: Yes, I have it.
MR. NAPPI: Could you take a moment to review the letter.
THE WITNESS: Yes.
BY MR. NAPPI:
Q Does this refresh your recollection as to the language in the '88 bill and the bank's position on it?
A Yes.
Q So do you now recall that this bill did, in fact, contain restrictive language regarding

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branching within 300 feet of another bank's office?
A I'm sorry, would you repeat that, please?
Q So do you now recall that the 1988 Act would have restricted Twin City's ability to branch within 300 feet of another bank's office?
A Yes. According to that letter, First Commercial inserted a provision in the draft of that bill which would not allow a grandfathering of those branches. We were trying to get support, the bankers of the state, to change that.
Q Did the bankers in the state support you on that issue?
A I can't recall.
Q Did the Arkansas Bankers Association support you?
A I cannot recall.
Q Do you recall if the independent bankers supported you?
A I cannot recall.
Q Do you recall whether the law, as passed by the legislature, addressed your concerns?
A I cannot recall.

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Q Do you recall whether the law, as finally enacted into law, addressed your concerns regarding the application of the 300-foot rule to Twin City Bank?
A I assume it did because we were able to keep the branch.
Q Okay. All right, the next record I would like you to look at, is Bates stamp number JRTS 00588.
A What is it?
Q It is a memo from Betsey to the Governor dated 1/28/88.
MR. HOOVER: 1/28/88?
MR. NAPPI: Yes.
MR. HOOVER: That today's or yesterday's?
MR. NAPPI: That was yesterday's bundle.
THE WITNESS: Okay.
BY MR. NAPPI:
Q Did you ever see this record before yesterday?
A No, sir.
Q Can I direct your attention to the

remarks.
A Yes, sir.
Q There is mention in this memo of an individual bank situation. Do you have any reason -- was that individual bank situation, the 300-foot rule and its application to Twin City Bank?
A I have no way of knowing.
Q Did you ever discuss the 300-foot rule's application to Twin City Bank with Bill Ford?
A I cannot recall.
Q Do you know who Bill Ford is?
A Yes, sir.
Q Do you know what job he held in 1988?
A I would imagine at that time he was the state bank commissioner.
Q Do you know if any representative or agent of Twin City Bank ever contacted Bill Ford regarding the 300-foot provision in the 1988 banking bill?
A I cannot recall any discussions with Mr. Ford on that issue.
Q All right. The next record I would like --
MR. PORTNOY: May I just clarify something



then.
MR. NAPPI: Sure.
MR. PORTNOY: I appreciate your indulgence here. But the May 23 letter that you referenced, which indicates concern about the 300-foot rule, also states that the provision as to which Twin City Bank was concerned was inserted in the legislation on April 14, 1988 at a meeting of the Arkansas Bankers Association.
The memorandum you just referred to is dated January 28, 1988, about three months earlier, so at least at the time the January --
MR. NAPPI: That's why I did not ask about legislative language. I believe I asked about the 300-foot issue but I will pose that question.
BY MR. NAPPI:
Q Did you ever discuss the 300-foot issue with Bill Ford?
A Not that I can recall.
Q Did you ever discuss -- any representative or agent of Twin City Bank ever discuss the 300-foot issue with Bill Ford?

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A Not that I recall.
Q If I could direct your attention to a January 30 -- well, a calendar page, excuse me, a calendar page that we faxed to you, at the top of which is noted January 30, Saturday.
A Yes, sir.
Q Okay. The bottom of that page, under Sunday, January 31, I should indicate the top left-hand corner indicates that this calendar was for the calendar year 1988 -- there is a notation "8:30 p.m., Governor mansion meeting"?
MR. PORTNOY: Can you identify for the record whose calendar this is?
BY MR. NAPPI:
Q This is the calendar of Bill Ford's banking bill. Do you recall attending that January 31 meeting at the Governor's mansion?
A I cannot recall, no, sir.
Q Do you recall ever attending a meeting at the Governor's mansion with respect to the 1988 branching bill?
A Not that I can remember, no, sir.

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Q To backtrack a bit, do you recall any meetings at the Governor's mansion regarding the legislation that became Act 539?
A Not that I can remember, no, sir.
Q Do you recall any meetings at the office of Arkansas governor in the capital?
A Not that I remember, no, sir. Excuse me, about the branching bill?
Q About the '88 branching bill.
A Not that I can remember.
Q About Act 539?
A No, sir, not that I remember.
Q Do you know if anyone else from TCB attended meetings at the Governor's mansion regarding Act 539?
A I do not know, sir.
Q Do you know if anyone else from Twin City Bank attended any meetings regarding the 1988 bill at the Governor's mansion?
A Not that I can recall.
Q Do you know, with respect to either of these bills, do you know if any representative of

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Twin City Bank attended any meetings at the Governor's office?
A Not that I can remember.
Q The next record I would like you to look at is a handwritten note, Bates stamped JRTS 00183.
MR. HOOVER: A handwritten -- excuse me, now Douglas, what was that?
MR. NAPPI: A handwritten note Bates stamped JRTS 00183.
MR. HOOVER: 183?
MR. NAPPI: Yes, 183.
MR. HOOVER: 183, got it.
MR. NAPPI: I need to go off the record for about 10 minutes, so why don't we leave. We will pick up at this point and go off the record.
(Discussion off the record.)
BY MR. NAPPI:
Q Back on the record. We were about to discuss a document that's Bates stamped JRTS 00183. Do you have that in front of you, Mr. Penick?
A Yes, sir.
Q If I could draw your attention to the line

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that says "banks against," the first designation is "TCB"; does that refresh your recollection as to whether TCB was opposing this legislation as of May 9th?
A What year?
Q Well, the right-hand corner says "special session 4," so I think we can assume it is May 9th of 1988?
MR. HOOVER: That's your assumption, okay.
MR. NAPPI: That's my assumption.
BY MR. NAPPI:
Q My question is do you recall whether in May 1988, Twin City Bank was opposing the special session?
A I cannot recall, no, sir.
Q All right. The next record I would like to direct your attention to is Bates stamp number JRTS 00141.
MR. HOOVER: Did that come in --
MR. NAPPI: That was yesterday's package, it is a typed letter on a piece of stationery that has the emblem "TCB" on it, and a little B. It says

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from the desk of Edward M. Penick, Jr.
MR. PORTNOY: If it's any help to you, sir, that's one of the documents that I faxed to you, as well.
MR. HOOVER: Look at it. Do you have it?
THE WITNESS: I do. Illegible, but I've got it.
BY MR. NAPPI:
Q Can you identify this record?
A I can barely read it.
Q Mr. Portnoy had just faxed you through a copy of that. Maybe his will be more legible.
A It's worse.
Q Can you make out any of it?
A It appears to be a little note pad that we had with the emblem of the bank at the time, and all employees had this, and they were printed up to have our name on them, and we used them for little notes.
Q Do you recall writing a little note "Governor Clinton" on one of these pads?
A Well, this is a typewritten note.
Q Do you recall having a typewritten note

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prepared?
A I do not recall, no, sir.
Q So you do not recognize this record and you do not recall sending this note?
A No, I don't.
Q In what circumstances would you use one of these notes, and one of these little TCB note pads and not the official stationery of the bank?
A I don't really know. Just a matter of convenience or whatever was available at the time.
Q Was it your practice, when you sent out a note on one of these note pads, to retain a copy for yourself?
A Typically, not.
Q So the bank would not retain a record of these notes?
A You would have to ask the bank.
Q Was it your practice to retain a copy for the bank's files?
A It would depend on what the issue was, but generally we did not.
Q If you sent a note to the governor of the

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state on one of these note pads, would it be your practice to copy it for the bank's files?
A Probably not.
Q If I could redirect your attention to the two-page letter to Marlon Jackson Bates stamped JRTS 142 and 143.
A Yes, sir.
MR. HOOVER: Is that May 23, 1988?
MR. NAPPI: Yes, sir.
MR. HOOVER: Okay.
BY MR. NAPPI:
Q Do you recall ever forwarding this letter to Governor Clinton?
A I cannot recall, no, sir.
Q On that letter, I would direct your attention to some handwritten notes in the right column of the first page; is that your handwriting?
A I don't think so, but I can't tell.
Q Can you read the first paragraph of the note that -- the Edward M. Penick note?
MR. HOOVER: Is that JRTS 00141?
MR. NAPPI: Yes.

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THE WITNESS: I can't read the exact date.
BY MR. NAPPI:
Q Can you read the "4" paragraph?
A No, I can't.
Q Can you read the salutation?
A It looks like it is Governor Bill Clinton, but that's illegible.
Q Well, if I read you the first paragraph, it says, "Bill, the attached copy is revised slightly from the previous one you have been furnished. I have highlighted the two changes for your information."
Do you recall what you forwarded to him and what revisions you were talking about?
A No, I cannot.
Q So that my reading that to you does not help you place it in context?
A No, sir.
Q Did you frequently write personal notes to Governor Clinton?
A No, sir.
Q Did you refer to Governor Clinton as Bill?

A It depended on the circumstances.
Q Could you elaborate?
A Well, ask me a question.
Q In what circumstances would you refer to Governor Clinton as Bill?
A Under casual circumstances, if I would just run into him or at a small function.
Q Did you ever socialize with Governor Clinton?
A No, sir.
MR. HOOVER: Whoa, what do we mean by "socialize"?
MR. NAPPI: Get together with Governor Clinton for purely social or personal purposes.
THE WITNESS: No, sir.
MR. HOOVER: Would that be like going out to dinner with him, or something of that sort?
MR. NAPPI: Sure, going out to dinner with him, playing golf with him.
THE WITNESS: I have never been to dinner with him in a small group. I have never played golf with him.



BY MR. NAPPI:
Q Is it fair to say you have only had dinner with him at, like, large public events?
A Well, not necessarily public, but larger events.
I did not type this document.
Q Can you say that with certainty --
A Yes, sir.
Q -- even though you can't read it?
A Yes, I wouldn't type -- I probably wouldn't know how.
MR. PORTNOY: Mr. Penick, our copy, which is a bit more legible, at the bottom says in capital letters, "EMP: RC" in small letters, did you have a secretary with the initials "RC" at some point, sir?
THE WITNESS: Yes, I did.
MR. PORTNOY: Would that notation indicate to you that she may have typed this document, sir?
THE WITNESS: Yes, sir.
MR. PORTNOY: Thank you.
BY MR. NAPPI:
Q Was it your signature -- could you identify

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your signature by name?
A Her name is Rose Collins.
Q Is she still with Twin City Bank?
A No, sir.
Q Do you know where she works now?
A She works on Senator Bumpers's staff.
Q How do you spell her last name?
A C-o-l-l-i-n-s.
Q Was it Ms. Collins's practice to send out notes to the Governor without your authorization?
A You will have to ask Ms. Collins.
Q Would you have been angry if Ms. Collins had sent a note out on your behalf to the Governor without running it by you?
A Yes.
Q Did it ever come to your attention that Ms. Collins had sent out a note to the governor of the state without running it by you?
A Not that I can recall.
Q If I could direct your attention to a document Bates stamped JRTS 206.
MR. PORTNOY: Can we clarify one thing

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before we go on to the next document?
MR. NAPPI: Sure.
MR. PORTNOY: Mr. Penick, you testified that you didn't recall the typed note from the note pad.
It is not your testimony, is it, sir, that this document was prepared or transmitted to Governor Clinton without your knowledge?
THE WITNESS: That's not my testimony.
MR. PORTNOY: I just wanted to be clear on that, sir. You are just saying you don't remember.
THE WITNESS: That's correct.
MR. PORTNOY: Okay.
BY MR. NAPPI:
Q Do you have JRTS 206 in front of you?
A Yes, I do.
Q Do you recognize this record?
A That's my handwriting.
Q Have you had an opportunity to read it?
A Yes, sir.
Q Do you recall preparing it?
A No. I really don't.

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Q It says "it has been reported to me, your assistance on the Omnibus Bankers bill and the 300-foot provision, and I wanted to relay our appreciation for taking this stand."

Do you recall Governor Clinton taking a position on the 300-foot provision?

A No, I don't.

Q Do you recall who related to you that, or reported to you that he had been of assistance?

A I don't know that he was.

Q Do you think you would have written the note if you did not think he had been of assistance?

A You are presuming the note is to Governor Clinton.

Q It was produced from -- fair enough.

Do you recall any conversations with -- having read this note, do you recall any conversations with Terry Renaud regarding the 300-foot provision?

A None specifically, no, sir.

Q Do you recall ever discussing the need to enlist Governor Clinton's support with respect to

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this provision?

A No, I cannot.

Q Do you know if Mr. Renaud or anyone from Twin City Bank ever contacted Governor Clinton with respect to the 300-foot provision?

A Not to my knowledge.

Q Can you say with certainty that this note was not to Governor Clinton?

A I cannot.

Q Do you recall ever writing a handwritten note to Governor Clinton?

A Not that I can remember.

Q One more record I would like you to review, and it is Bates stamped -- it is amongst the records I faxed you this morning, it is Bates stamped CBF 0383. They are officer loan committee minutes of First Ozark Bank.

MR. PORTNOY: The minutes from January 8, 1987?

MR. NAPPI: According to your copy, yes. Mine is just January of 1987.

THE WITNESS: Okay, I have it.

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BY MR. NAPPI:
Q Have you ever seen this record before today?
A Not that I can recall. It is possible.
Q All right, could you take a moment to just review it?
A I have reviewed it.
Q Having reviewed it, does it refresh your recollection as to whether you were in attendance at this meeting?
A It doesn't indicate that I attended it.
Q Well, you were not a member of the officers' loan committee?
A That's correct.
Q So it might not necessarily indicate that you were there; is that correct?
A If I was there, it would have indicated it or should have indicated it.
Q Do you not recall being at this meeting?
A No.
MR. PORTNOY: I wanted to point out that the document appears to have a line for "also

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present," so that -- which would indicate that members were not the only attendees who were identified.
MR. NAPPI: Yes, we don't have any testimony as to how theirs were maintained.
BY MR. NAPPI:
Q So you have no recollection of being at this meeting?
A I do not.
Q Okay. Just to summarize, other than transmitting the financial statement to Mrs. Clinton, you have no recollection of ever discussing the Whitewater loan with the Clintons?
A That's correct.
Q You can recall no other contact?
A That's correct.
Q Do you recall any meetings with anyone from the Arkansas governor's office where you discussed the Whitewater loan?
A No, sir.
Q Did anyone from the Arkansas governor's office ever make it clear to you that they understood

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that you were on the board of an institution that held the Whitewater loan?
A Ask the question again, please.
Q Did any member of the Arkansas governor's office ever impart to you their knowledge that you were affiliated with the bank that held the Whitewater loan?
A No, sir.
Q So you don't recall any event where someone may have said something that made it apparent to you that they knew of your relationship to First Ozark and that First Ozark held the Whitewater loan?
A Not that I can recall, no, sir.
MR. NAPPI: Okay. I don't have any further questions.

EXAMINATION

BY MR. PORTNOY:
Q Mr. Penick?
A Yes, sir.
Q My name is Jim Portnoy. I am counsel for the Minority, and I have a few follow-up questions. Sir, you testified that it was common practice for

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directors to review document deficiency lists?
A Yes, sir.
Q That's correct?
A That is correct.
Q And you also testified that you learned that the Whitewater loan had a document deficiency by reviewing such a list?
A As I remember, yes, sir.
Q Do you recall anybody particularly drawing your attention to the Whitewater loan at that time?
A Not that I can recall. No, sir.
Q Sir, do you recall being aware that First Ozark had a loan outstanding to the Whitewater Development Corporation prior to seeing that document deficiency list?
A Yes, sir.
Q You did know?
A I did know.
Q How did you come to learn that, sir?
A As I recall, it was in the due diligence effort before the acquisition was consummated.
Q So it was in the course of a loan review,

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while you were considering the acquisition of Citizens Bank, or in some other context, sir?
A It was customary in our acquisitions to do the proper due diligence, which included review of the asset quality of the institutions.
Q Did you review all the loans at that time, sir?
A I didn't review them. There was a team that reviewed them, and they didn't review all of them, no.
Q How were loans selected to be reviewed?
A There was a criteria.
Q Do you recall what it was or what the criteria were?
A Generally it would include the current status of the loan, the collateral, the size of the loan. Might be some other criteria.
Q Do you recall approximately what percentage of the bank's loans were reviewed in the course of the due diligence?
A No, sir.
Q It was more than just a few loans, though,

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wasn't it, sir?
A Oh, yes, sir.
Q At that time, sir -- strike that.
Would it be fair to say, sir, that your knowledge, your first knowledge of the Whitewater loan arose in the regular course of business?
A Absolutely.
Q And there was nothing special about the fact that you learned about this loan? There were no special circumstances?
A The loan was in the bank, in the Citizens Bank portfolio when we entered into an agreement to purchase the bank.
Q No one said to you, for example, be careful, we've got this Whitewater loan that involves the Governor and it is a problem?
A Absolutely not.
Q No one ever indicated to you, at least at the time you were considering the acquisition, that there were any particular or unique problems with the Whitewater loan?
A No, sir.

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Q Nobody ever suggested to you that the Whitewater loan was receiving any kind of special treatment based on the identity of the guarantors?
A Absolutely not.
Q Did anybody ever indicate to you that the Whitewater loan should receive or had received special treatment as a consequence of the identity of the guarantors?
A Absolutely not.
Q To your knowledge, did the Whitewater loan ever receive special treatment based on the identity of the guarantors?
A No, sir.
MR. NAPPI: But it is your testimony that other than review for document deficiency or reviews as part of the document deficiency list, you don't recall any other involvement with the handling of the Whitewater loan.
THE WITNESS: I didn't handle it. The loan officers in the bank handled it. I was just chairman of the board.
BY MR. PORTNOY:

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Q To reiterate then, sir, do you recall any other official of the bank somehow bringing the Whitewater loan to your attention, other than through the due diligence process or the document deficiency list?
A Not that I can recall.
Q Mr. Penick, you testified that you personally favored the expansion of branch banking; is that correct?
A I thought it was the right thing to do for the industry and for the future economic development of the state, that's correct.
Q So you considered it to be a good idea for the people of Arkansas?
A Yes, sir.
Q Why did you think so?
MR. HOOVER: I think he just answered that question.
MR. NAPPI: Counsel, I believe Mr. Penick stated he believed it to be beneficial to the state of Arkansas. I don't believe he's indicated why he considered it to be beneficial to the state of

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Arkansas and I would like to get that on the record.
THE WITNESS: It would allow --
MR. HOOVER: Jim, not to argue with you, but I think he recited that he thought it would be good for the industry and good for the economy. If we could read back maybe his answer about two previous questions.
MR. PORTNOY: Allow me to go at it this way.
BY MR. PORTNOY:
Q Mr. Penick, you said you thought bank branching would be good for the banking industry?
A Yes, sir.
Q Why did you think it would be good for the banking industry?
A Bank branching laws were changing all over the country. This gave us an opportunity through our local legislature, and that's -- my primary contact was with the Senators and representatives in our state legislatures to get a bill passed that allowed our legislators and our laws to control the expansion of banks in the state instead of coming from the OCC

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in the Mississippi case, or from a bill in Washington.
Q I would like to take you through those concerns a little more systematically, sir. Is it your recollection that states other than Arkansas had more permissive branch banking laws at the time?
A Yes.
Q Was Arkansas unusual in prohibiting branch banking in the way it did?
A I don't know what you mean by "unusual." It was not as permissive as some and it was more permissive than others.
Q I believe you also indicated that federal regulators had an interest in branch banking rules; was that your testimony, sir?
A Ask me again, please.
Q You indicated that there was some concern that branch banking legislation be handled within the state of Arkansas rather than imposed on the state of Arkansas by federal regulators in some fashion.
Could you elaborate on that? Explain why you were concerned that federal regulators might

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impose some kind of branch banking on the state of Arkansas.

A Our institution was a state institution, and our authority to branch -- Twin City Bank's authority to branch, as a state bank, would be through legislative action. If the comptroller granted more permissive branching to national banks, we would not be competitive.

Q I see. So action by the comptroller of the currency wouldn't have affected you directly, but it might have affected your competitors and given them a competitive advantage?

A That's partially correct. It would affect us in our national banks but not Twin City banks. Positively. It would affect it negatively, as you stated.

Q We've discussed the fact that Act 539, the 1987 legislation, only applied to counties with a population over 200,000.

My understanding is that Pulaski County was the only county that was affected by the legislation; is that your recollection, sir?

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A It is.

Q Was this the feature of the Act that made it vulnerable to a constitutional challenge?

A Yes, sir.

Q Do you know why the Act was limited to Pulaski County?

A I think it was easier to get support, legislative support, at that level, and also, if you lowered the population level, that would bring in other counties and possibly raise some opposition.

Q So in your estimate, sir, the limitation to Pulaski County was a political judgment to make enactment of the statute easier?

A I mean, it was a practical -- it was a practical issue, also.

Q How so, sir?

A Well, I mean, we were the only county with 200,000 or more.

Q I appreciate that, sir. But there is no magic about the number 200,000. Clearly the Act was drafted with the purpose of permitting the expansion of branch banking in Pulaski County but not

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permitting the expansion of branch banking in other counties, and what I am asking you, sir, is why you believe it was drafted that way.

MR. NAPPI: Do you have any knowledge of why it was drafted that way?

THE WITNESS: A better case for competitive branching could be made in this market, in the Pulaski County market than any other market in the state.

BY MR. PORTNOY:

Q And why do you think that's the case, sir?

A There was more competition.

Q So in your view, Pulaski County was the county in which expanded branch banking would have been most appropriate; is that what you are saying, sir?

A It would benefit more people and provide more competition than in any other county in the state.

Q Do you recall, sir, whether banks headquartered outside Little Rock were particularly opposed to the expansion of branch banking?

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A Some were; some weren't.

Q Is that also true of banks within Little Rock?

A That is true.

Q So the opposition to branch banking was no greater outside Pulaski County than it was inside Pulaski County?

A Are you talking numbers?

Q Either numbers or fervor or whatever you recall?

A Well, obviously the numbers, there are more banks outside Pulaski County then there are inside Pulaski County, so if you just line up the numbers, there would be more opposed that were outside the county that were opposed than from inside the county.

Q Let me try it this way, sir. The legislation was drafted to permit an expansion of branch banking in Pulaski County and not to permit the expansion of branch banking outside Pulaski County. Is that fact in some way reflective of the opposition of banks outside Pulaski County to the

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expansion of branch banking in their areas.
MR. NAPPI: Has he testified that it was drafted just for Pulaski County?
MR. PORTNOY: It's quite clear, it is a fact.
MR. HOOVER: Jim, why don't you repeat that question one more time.
MR. PORTNOY: I would be pleased to.
BY MR. PORTNOY:
Q Act 539, as a practical matter, permitted the expansion of branch banking in Pulaski County but did not permit the expansion of branch banking outside Pulaski County.
My question is whether that difference was due, in some measure, to the opposition of banks outside Pulaski County to the expansion of branch banking in their areas.
A Yes, I would think it would be.
MR. NAPPI: Do you have any specific recollection of that as being a dynamic in play?
THE WITNESS: No specific recollection. It just depends on the individual banks.

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BY MR. PORTNOY:
Q Let me try it one more way, sir. Do you have any specific recollection of why the statute was drafted in such a way that the expansion of branch banking was permitted within Pulaski County but was not permitted outside Pulaski County?
A Because that's where it was felt would be their most likely success in getting the legislation passed.
MR. NAPPI: So you were involved with the drafting?
MR. PORTNOY: Let me continue this.
BY MR. PORTNOY:
Q So your recollection, sir, is that it would have increased opposition to the legislation if the legislation were drafted in a way so as to include other counties; is that correct?
A It's possible, yes.
MR. NAPPI: It is me again, Mr. Penick. Is it fair to deduce from testimony you just gave regarding the motivation for drafting Act 539 to only apply to Pulaski County that you did, in fact, have

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input into the drafting of this legislation?
THE WITNESS: I think I testified before that I reviewed the draft of the legislation, before it was introduced.
MR. NAPPI: Yes, you testified you reviewed the draft. But I don't think you testified that you were involved in the planning of this legislation, or in formulating the proposal.
MR. HOOVER: Which legislation now?
MR. NAPPI: 539.
MR. HOOVER: That's the first bill?
MR. NAPPI: Yes, the 1987 bill.
THE WITNESS: I did not draft the bill, no, sir; I talked to people who did, I reviewed it before it was introduced.
MR. NAPPI: Okay.
BY MR. PORTNOY:
Q So let me make perfectly clear. You are absolutely certain you reviewed the 1987 legislation, before it was introduced. We are not talking about the 1988 legislation?
A The best I can recall, yes, sir.

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MR. HOOVER: Are you speculating about when you do that?
THE WITNESS: I am really speculating but I just --
BY MR. PORTNOY:
Q That's precisely my point, sir. I think there is record evidence that you had the opportunity to review or be aware of the 1988 legislation prior to its introduction and enactment, but I want to know if you are clear whether you saw both statutes prior to their introduction, or just one?
A I can't specifically recall. I remember certain issues that we discussed, but I cannot remember whether it was prior to introduction or shortly thereafter. I'm just unclear on that.
Q So without putting too fine a point on it, is it fair to say you don't remember if you saw the 1987 legislation in draft form?
A I really can't remember.
Q You testified earlier that Twin City Bank was involved in litigation concerning the constitutionality of Act 539; do you recall that,

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sir?
A Yes, sir.
Q Despite the litigation, TCB did, in fact, open additional branches; did it not?
A It opened two branches under the auspices of Act 539; that's correct.
Q Two branches.
A Well, might be two branches in Little Rock, as I recall.
Q Did TCB open branches in other places as well?
MR. HOOVER: Well, they were allowed to by the Act.
THE WITNESS: I think we opened a branch in Sherwood, if I am not mistaken.
MR. HOOVER: Within the county?
THE WITNESS: Within the county. Sherwood is a separately incorporated city. I think we opened a branch in Sherwood. I am not sure of the timing when it was done, at the time of 539 or some subsequent legislation.
BY MR. PORTNOY:

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Q Mr. Penick, I would like to direct your attention to a document I faxed to you, file notes dated March 14, 1988. Please let me know when you have had a chance to look at it.
MR. NAPPI: Is there a Bates stamp number on that?
MR. PORTNOY: No.
THE WITNESS: Yes, sir.
BY MR. PORTNOY:
Q I would ask you to direct your attention to the first two paragraphs. First, sir, have you had a chance to determine whether this is a document that you prepared?
A I didn't prepare the document, no, sir.
Q If you look at the second page, there is a typed signature, which says "Ed Penick, Jr." Is that you, sir?
A Yes, sir.
Q Did you somehow dictate this document?
A Yes, sir, more than likely.
Q So the contents of the document are your work, if not the document itself?

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A Yes, if I prepared it. I did not prepare it. I probably dictated it.
Q Thank you for clarifying that.
A Sorry.
Q Was it your habit to prepare file notes, sir, on matters that you considered important?
A Yes, sir.
Q This document states, that you -- and I quote, "visited with Wayne Hartsfield, the president of the Arkansas Bankers Association." And it indicates that you did so on the date of the notes, which was March 14, 1988.
Do you have any recollection of meeting with Mr. Hartsfield on March 14, 1988?
A No, I don't.
Q The second paragraph states that Hartsfield has an agreement with the Governor to call a special session upon full concurrence and commitment of the bankers and banking organizations in the state to support legislation. Do you recall ever discussing with Mr. Hartsfield his efforts to reach an agreement with the governor concerning the Omnibus Banking

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legislation of 1988?
A No, I don't.
Q Do you have any reason to believe that you did not meet with Mr. Hartsfield or discuss this matter?
A No, I don't.
Q So you would accept the accuracy of this information; you just don't recall it?
A Yes, sir, I think so.
Q Do you recall whether Mr. Hartsfield played a role in securing enactment of the 1988 Omnibus Banking legislation?
A I can't specifically recall, no, sir, but typically, the president of the Arkansas Bankers Association would be involved.
MR. NAPPI: Could I clarify one thing? Is it your testimony that Mr. Hartsfield was the president of the Arkansas Bankers Association?
THE WITNESS: That's what this memo says.
MR. NAPPI: Did the memo refresh your recollection to that?
THE WITNESS: That's what this memo

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indicates.
MR. NAPPI: But it refreshed your recollection; is that what you are testifying?
BY MR. PORTNOY:
Q If you will allow me to clarify, sir. I believe you indicated earlier that Mr. Bocarville might have been the executive director of the Arkansas Bankers Association; is that a different job?
A Yes, sir.
Q So it can be consistent for Mr. Bocarville to have been executive director of the Bankers Association and Mr. Hartsfield to be president of the Bankers Association?
THE WITNESS: That's right.
MR. NAPPI: I have a slightly different question now.
My question is did this memo refresh your recollection that Mr. Hartsfield was the president of bank or the Bankers Association.
MR. HOOVER: In other words, do you know of your own knowledge that he was president of the

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Bankers Association on March 14, 1988?
THE WITNESS: I do not know that other than what's indicated in these file notes.
MR. PORTNOY: Thank you, sir.
MR. NAPPI: Do you know that Hartsfield was president in 1988?
THE WITNESS: Other than what's indicated here, I do not know that he was.
BY MR. PORTNOY:
Q Okay, sir.
MR. HOOVER: You just don't remember.
THE WITNESS: I don't have a list of who was present when.
BY MR. PORTNOY:
Q Sir, in the second paragraph, the statement is made, "the bank commissioner is supportive of the legislation." My understanding, or at least my belief is that at this time the bank commissioner was Mr. Jackson, Mr. Marlon Jackson. Mr. Nappi indicates that it may still have been Mr. Ford, but in any event, do you recall who was bank commissioner at the time that you were interested in the 1988

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legislation?
A No, sir, I do not.
Q And do you recall whether the bank commissioner was supportive of that legislation?
A As indicated by Mr. Hartsfield, he was. In this memo.
Q Yes, sir, I understand that that's stated in the memorandum, I am just trying to establish whether you have any independent recollection or whether your recollection might be refreshed by what's stated in the memorandum.
THE WITNESS: All I'm recalling here is what Mr. Hartsfield told me.
MR. PORTNOY: Let's take a break for a moment, sir, because the court reporter needs to pass along the disk so that it can be transcribed.
(Discussion off the record.)
MR. PORTNOY: Mr. Penick, we are back.
BY MR. PORTNOY:
Q Did you ever know a person named Marcus Halbrook?
A Yes, sir.

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Q Who was Mr. Halbrook?
A He was director of the Arkansas Legislative Council.
Q Do you recall that or are you simply reading that from the memorandum?
A I am recalling it from reading the memorandum. That reminded me.
Q So it refreshed your recollection?
A It did.
Q That's what we mean by refreshing your recollection, sir.
A Thank you.
Q This memorandum indicates that Mr. Halbrook will be drafting or is drafting the 1988 Omnibus Banking legislation. Do you recall that to have been the case, sir?
A I think it was, but I can't specifically remember getting a draft of it from Mr. Halbrook.
Q Do you remember getting a draft of the legislation from any other possible draftsman?
A I remember getting a copy of it. I just don't remember from what source it came.

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Q Do you have any recollection of anyone other than Mr. Halbrook being the draftsman for the legislation?
A I do not. No, sir.
Q The final line of the second paragraph says a "draft copy," meaning the legislation, "will be forwarded as soon as Hartsfield receives it."
Do you recall receiving a draft copy of the legislation from Mr. Hartsfield?
A No, I don't. But that doesn't mean I didn't.
Q Do you have any reason to believe that you did not receive a draft copy from Mr. Hartsfield?
A I don't remember where it came from.
Q Mr. Penick, I would like you to look at the last paragraph of the memorandum. In substance, sir, that paragraph indicates that the independent bankers believe that the 1988 Omnibus Banking legislation would be, and I now quote, "better than they would get under federally dictated statewide branching"; do you see that, sir?
A Yes, sir.

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Q Was that what you were referring to earlier, when I asked you about imposed statewide banking by the comptroller of the currency?
A Possibly, yes.
Q I must say, sir, I am a little confused because you indicated that the comptroller of the currency would have no authority to impose statewide banking on state chartered institutions. But this statement seems to indicate that there was some prospect of federally dictated statewide branching that could affect state institutions.
Am I misreading this, sir, or do you have a different understanding?
A No, you are reading accurately.
You are presuming so -- that "federally dictated statewide branching" means the comptroller of the currency.
Q How else might statewide branching be federally dictated, sir?
A Federal legislation.
Q Are you aware that federal legislation was under consideration at this time to impose statewide

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branching on state chartered institutions?
A There has been consideration, yes, sir, my understanding.
Q So there was a second source of concern that statewide banking might be imposed on Arkansas rather than generated within Arkansas?
A Statewide branching might not be the right description. But it would be more liberalized branching than what we were accustomed to.
Q Would it be fair to say, then, sir, that during at least this period of 1988, there was some prospect that the comptroller of the currency might liberalize branching rules for nationally chartered banks which would have an effect in Arkansas, and also that Congress might enact legislation in some fashion liberalizing branch banking rules for state chartered and/or federally chartered institutions in the state of Arkansas?
A That's possible.
Q Sir, I would like you to look at the document that appears to have been appended to those file notes. It is a two-page document entitled

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"branch bank strategies, options," do you have that, sir?
A Yes, sir.
Q On the right-hand side is a category "statewide branching"; do you see that, sir?
A Yes, sir.
Q I will like to you look at the enumerated Section 5, actually 4 and 5.
A Yes, sir.
Q 4 states "if commissioner denies request in number 2 above, which was a request to approve TCB's Little Rock offices, proceed to convert TCB to a national bank."
Was TCB considering converting to a national bank at this time, sir?
A It was always an option that we considered on various issues, to convert our charter to a national charter.
Q If you had converted TCB into a national bank, would TCB have been permitted to engage in branch banking, and to have expanded its branch banking throughout Pulaski County?

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MR. HOOVER: If you know.
THE WITNESS: Yes.
BY MR. PORTNOY:
Q And this document would appear to indicate that that would actually permit TCB to expand its branch banking throughout the state; is that correct, sir?
A Are you talking about paragraph 5?
Q Well, sir, paragraph 5 appears under a heading entitled "statewide branching." And paragraphs 4 and 5 talk about conversion to a national bank.
Would it be a fair inference to draw, that conversion to a national bank would have permitted TCB to engage in statewide banking or statewide branching?
A I don't believe so at the time.
Q But you could have applied to the comptroller of the currency for permission to open branches in other parts of the state, could you not, sir, if TCB were a National Bank?
MR. HOOVER: Just a moment. Aren't you

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asking him to speculate on the law?
MR. PORTNOY: No, sir, I am actually asking him what his recollection is of what the state of the law was.
MR. HOOVER: Isn't that speculation as to what the law is?
MR. PORTNOY: No, sir, I am not asking him what the law was. I am asking him what he recalls it to have been.
MR. HOOVER: Okay.
THE WITNESS: Is this Doug?
MR. PORTNOY: No, it is Jim.
THE WITNESS: Repeat it, please.
MR. PORTNOY: All right. Let me start back at the beginning.
BY MR. PORTNOY:
Q On the right-hand side of the page is a column stating "statewide branching."
A I got that.
Q Paragraphs 4 and 5 under the heading "statewide branching" concern the possibility of converting TCB to a national bank?

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A Okay.
Q Does that indicate to you, sir, that the conversion to a national bank would have allowed statewide branching in some fashion?
A No, sir.
Q It does not?
A No.
Q Would the conversion to a national bank have allowed expanded branching of any kind?
A It's my opinion, yes.
Q How would that have occurred?
A There is a provision that the comptroller used to allow branching to incorporate in communities within a 30-mile radius where no main bank branch was located.
Q I think we finished with that document, sir. Sir, I apologize if Mr. Nappi asked you this, but I would like it to be entirely clear on the record.
To the best of your recollection, did you ever discuss the Whitewater loan with Governor Clinton?

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A I cannot recall discussing it with Mr. Clinton.
Q And do you recall ever discussing the Whitewater loan with Mrs. Clinton?
A I cannot recall any communications with Mrs. Clinton about the Whitewater loan.
Q You do recall that you may have written to Mrs. Clinton, though?
A I did write Mrs. Clinton a letter.
Q And you don't recall receiving any response to your letter, directed to you, at least?
A That's correct. I don't recall that there was any response, written or oral.
Q But you did, or the bank did, at some point, receive the financial statement that you were inquiring about?
A That's correct.
Q Sir, at any time, did anyone affiliated with TCB, its parent company or companies, or any other entity, ever instruct you to provide some kind of special treatment to the Whitewater loan?
A No, sir.

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Q Did anyone affiliated with TCB or any of its parent companies ever suggest to you that the bank had some kind of influence over Governor Clinton based on the fact that the bank held the Whitewater loan?
A No, sir.
Q Did anyone ever suggest to you that TCB or any of its parent companies or subsidiaries should try to influence Governor Clinton, based on the fact that the bank held the Whitewater loan?
A No, sir.
Q Did you ever suggest to anyone that the Whitewater loan should receive special treatment?
A No, sir.
Q Did you ever suggest to anyone that the bank should use the Whitewater loan as a way to influence Governor Clinton?
A No, sir.
Q To the best of your knowledge, did the bank ever seek to use the Whitewater loan as a way to influence Governor Clinton?
A No, sir.

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Q Sir, it's been suggested that there is a connection between the bank's renewal of the Whitewater loan and the enactment of the 1987 banking legislation and the 1988 legislation.
Are you aware of any connection whatsoever between those events?
A Not that I am aware of, no, sir.
Q Do you have any reason to believe that there might be a connection?
A I do not.
Q So as far as you know, these events are completely separate and unrelated?
A Absolutely.
MR. NAPPI: That's your current recollection or are you saying that you absolutely know they are not connected? Well, I guess you couldn't say that.
MR. HOOVER: That was kind of a double question.
MR. NAPPI: Yes.
MR. HOOVER: Do you want to ask it again in a different form?

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MR. NAPPI: No.
BY MR. PORTNOY:
Q Sir, to your knowledge, did anyone ever suggest that the Whitewater loan should be called?
A Not that I can recall.
MR. NAPPI: By "suggest" do you mean make that affirmative statement or --
BY MR. PORTNOY:
Q Did anyone ever state to you that it was their view the Whitewater loan should be called?
A Not to my recollection.
Q Did you ever state to anybody that it was your view that the Whitewater loan should be called?
A No, sir.
MR. PORTNOY: That's all I have, thank you, sir.
MR. NAPPI: I just want to ask a couple of follow-ups.

EXAMINATION

BY MR. NAPPI:
Q It is Doug Nappi again, Mr. Penick. You said you first learned of the Whitewater loan as part

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of the due diligence in the acquisition. You did not actually do the loan file review.
Do you recall how you were apprised of the existence of this loan?
A As best I can recall, a report came in. We had all the reports from the due diligence team.
Q So you read a written report?
A Yes, sir, as I recall.
Q And you recall how many loans were specified in that written report?
A No, I do not.
Q How do you know that you learned of the Whitewater loan at that point in time? What do you remember that report saying?
A I can't specifically recall, but generally they would list loans and give a summary of loans over a certain size, over certain collateral or certainly there was a report on the past-due status of the loans.
Q Did it specify that the guarantors of that loan or cosigners were the Governor and his wife?
A I cannot recall specifically.

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Q Okay.
MR. PORTNOY: One follow-up on that, sir.
To the best of your recollection, was the Whitewater loan treated any differently in that report than any other loan?
THE WITNESS: In which report?
MR. PORTNOY: In the report you read following the due diligence. You indicated at the time of the acquisition you learned of the Whitewater loan by reading a due diligence report.
And I believe you also indicated that the due diligence report concerned more than one loan although you can't remember how many loans it concerned; is that a correct statement, sir?
THE WITNESS: That's correct.
MR. PORTNOY: Was there anything special about the way the Whitewater loan was identified, or discussed, on that due diligence report?
THE WITNESS: Not that I can recall, no, sir.
MR. PORTNOY: Thank you, that's all I have.

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EXAMINATION
BY MR. NAPPI:
Q Just a couple of more questions, maybe. Wayne Hartsfield, is that his first name, Wayne?
A Yes.
Q Do you recall him ever being the president of the Arkansas Bankers Association?
A I think he was, yes.
Q Was that an independent recollection, or was it just refreshed by reading that record that Mr. Portnoy asked you to look at?
A Let's get the terminology right.
There is an executive director, a full-time employee of the Association.
Q Yes.
A And there is a --
Q A president who would be elected on an annual or some periodic basis, more of a honorary position?
A That's correct, that's correct. And Mr. Hartsfield has been president of the Arkansas Bankers Association.

Q So you recalled that --
A Yes.
Q -- independent of having your recollection refreshed?
A Yes.
Q One more follow-up question. After you resigned from Twin City, did you move to your current job?
A Yes.
Q Okay, so you did not work at another bank?
A No, sir.
Q And do you recall the date of your resignation?
A It was in April of '91. I don't know the specific date.
MR. NAPPI: Okay, thank you very much. Let's go off the record.
(Whereupon, at 1:50 p.m., the deposition was concluded.)

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EDWARD M. PENICK, JR.

CERTIFICATE OF NOTARY PUBLIC & REPORTER 136

I, JOANNE LIVERANI , the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Joanne Liverani

Notary Public in and for the
District of Columbia

My Commission Expires JULY 31, 2000

# DEPOSITION OF W. NEIL EGGLESTON
# IN RE: S. RES. 120

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**SATURDAY, MAY 4, 1996**

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER
DEVELOPMENT CORPORATION AND RELATED MATTERS,
*Washington, DC.*

Deposition of W. NEIL EGGLESTON, called for examination pursuant to notice of deposition, at 10:10 a.m. in Room 640–A of the Hart Senate Office Building, before CINDY L. SEBO, a Notary Public within and for the District of Columbia, when were present:

VIET D. DINH, ESQ.
Majority Associate Special Counsel
NEAL E. KRAVITZ, ESQ.
Minority Principal Deputy Special Counsel
TIMOTHY P. MITCHELL, ESQ.
Minority Professional Staff Member
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Building
Washington, DC 20510
On behalf of the Committee.

WILLIAM J. MURPHY, ESQ.
Murphy & Shaffer
Suite 750
Baltimore, MD 21202–1019
On behalf of the Deponent.

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PROCEEDINGS

Whereupon,

W. NEIL EGGLESTON

was called as a witness and, having first been duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. DINH:

Q Mr. Eggleston, thank you for coming in today. As you know, this deposition is conducted pursuant to Senate Resolution 120. The resolution establishes the special committee administered by the Senate Banking Committee to conduct an investigation into Whitewater Development Corporation/Madison Guaranty Savings and Loan Association and other related matters.

Your testimony today will be under oath. And the stenographer will prepare a request of questions and answers. This deposition is made in advance of public hearings.

As I advised you prior to our going on the record, we do not anticipate to call you at any such public hearings at this time. But if that changes,



we will notify you in advance.

This transcript will be treated as committee confidential in the commencement of any such hearings at the time it may be made public in whole or in part.

Prior to the hearings, you will receive a letter from the committee telling you that you may come to the Senate to review the transcript of your deposition, and make note of any corrections in the transcription on an Errata sheet.

That's for the limited purpose of reviewing the transcript, any information is not to be disclosed for any other reason.

Mr. Eggleston, you may be represented by counsel. And I see your counsel, Mr. Murphy, is here.

Pursuant to the procedures set forth in Resolution 120, objections as to the form of the questions will be noted for the record. And your counsel may instruct you not to answer a question on the grounds of privilege and scope.

The committee chairman will rule on

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objections where the witness refuses to answer a question.

Just for the record, can you give me your name?

A W. Neil Eggleston.

Q And where do you work now?

A I work at a private law firm here in Washington, D.C.

Q And when were you employed by the White House?

A Sometime in September 1993 to sometime in September 1994.

Q And what was your position in that one-year period?

A I was associate counsel to the President.

Q Let me direct your attention, Mr. Eggleston, to the period January 1994.

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Were you part of a team of White House officials designated to respond to Whitewater-related stories or actions?

A Generally, yes. I mean I don't -- I don't know that we were designated, and I'm not sure I completely agree with your description. But, yes, there was a group of people in the White House that participated in responding to Whitewater activities.

Q Was there a name for this group?

A No.

Q Okay. Was it generally known as the Whitewater team?

A Not necessarily to me.

Q Or the Whitewater group?

A I don't remember us having a name.

Q Were there memos going out to this Whitewater group?

MR. MURPHY: Were there memos going out?

BY MR. DINH:

Q To this Whitewater group, if you recall.

MR. MURPHY: From whom?

MR. DINH: From other members of the

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group.
THE WITNESS: I don't recall. I would be happy to look at anything you've got, but I don't specifically recall.
BY MR. DINH:
Q I'll just direct your attention to SO20888. It is a memorandum to Harold Ickes addressed to the Whitewater group re: assignments.
A I see it.
Q Do you recall receiving such memorandum?
A Let me take a look at it.
(Witness reviews the document.)
MR. KRAVITZ: Which date is that memo?
MR. MURPHY: 9th of January 1994.
MR. KRAVITZ: Okay.
MR. MURPHY: I'll note the group has a small G on it.
THE WITNESS: I don't remember receiving this.
BY MR. DINH:
Q Okay.
A I'm not saying I didn't, but I don't

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remember receiving it.
Q Okay. How about the next -- the similar memorandum Bates stamp S20760, again from Harold Ickes to the Whitewater group with a small G dated 10 January 1994?
A Again, I don't remember receiving this.
Q Okay.
A I may have, but I don't remember receiving this.
Q During this period, that is, in early January 1994, were you involved in meetings with others in the White House relating to Whitewater/Madison?
A Yes, I was.
Q If you recall generally who were the people in these meetings that were regular in the -- regularly in these meetings?
A Mr. Ickes in the January time frame, particularly early January; Mr. Nussbaum, myself. I think Ms. Williams may have attended on occasion; although, I'm not sure I would call her -- I don't remember that she was a regular attender.

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Mr. Lindsey, on occasion. I'm not sure Mr. Lindsey was there all the time. I'm sure there were others. But I just don't -- I mean I'm sure there were others, but I can't think of anybody else.

But certainly I remember that group as attending at least periodically. And I don't know that I attended all of them.

Q Okay. Well, we'll try to refresh your memory with respect to specific meetings.

A Yes.

Q Did you take notes at any of these specific meetings?

A I don't remember taking any notes.

Q Were they daily meetings?

A Well, a little bit of this is on a time frame. Early January I think they were pretty frequent. I don't have a recollection that they were daily, but they were frequent I think after the President requested the appointment of an independent counsel, they -- or special counsel, I think we had much less often, that's my recollection.

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Q I'm going to refer you to a set of handwritten notes that are Bates stamp S20564 consecutively to S20579.

And let me represent to you that these notes were taken by participants at the -- by a participant of the meetings that were taking place relating to Whitewater/Madison in January of 1994.

MR. KRAVITZ: I'm sorry, Viet, how did you identify these? Taken by one of the participants?

MR. DINH: One of the members, one of any participants.

MR. KRAVITZ: Is there any reason why we can't tell Mr. Eggleston which participant took the notes.

MR. DINH: No.

THE WITNESS: I assume these are Mark Gearin's.

BY MR. DINH:

Q They are. Let me direct your attention to the first page of that set of notes, S20564.

A Now, you've told me these are January 4th or at least he's testified to January 4th?

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Q Well, they are of a number of various dates on different pages. I will refer to the dates of the applicable meeting as we go through them.
A Okay. Thank you.
Q The first page, as you correctly identified, at the top says 4 January, Mac's office. And so I think that Mr. Gearin has testified that these are accurate notes of the January 4th meeting.
MR. KRAVITZ: Just for the record, I'm not sure that that's accurate. What Mr. Gearin has testified is that these are notes that he took at that meeting. I don't think that -- I don't think you should understand from what Viet just said that Mr. Gearin has testified that these are in any way a verbatim transcript of the meeting or accurate in that sense.
THE WITNESS: Okay.
BY MR. DINH:
Q I think it's rather obvious when we go through the notes, they were not verbatim transcripts.
A Okay.

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Q Can you -- let me direct your attention to the third line down on the set of notes there where it says Neil.
A Yes.
Q And in the interest of saving time, I will just read the -- read this since we have them transcribed from handwriting.
MR. DINH: And, Counsel, please feel free to correct me if any of the transcription is erroneous.
MR. KRAVITZ: I won't be shy.
MR. DINH: You never are, Neil.
BY MR. DINH:
Q It reads, Neil dash, docs the DOJ, then questions, QSTNS, turn up and not off, continued questions for release.
A Could I just ask you, has Gearin told you that's what it says, because I wouldn't necessarily read that, if it says that. I would just like to know whether that's your guess of what it says or whether Mr. Gearin has told you that's what it says. I don't know if you have to answer that question.

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MR. KRAVITZ: I can answer that question, Neil. In his deposition, which I was present, he was asked to read his entire set of notes. I can't tell you whether that's what he said that means, I just don't remember.

MR. DINH: Likewise --

MR. KRAVITZ: I can tell you when he has QSTNS, that does mean questions. When he says OFF period, I'm not sure what that means. I just don't remember.

THE WITNESS: I'm sorry. Could you just read it to me again, because it didn't actually make sense?

BY MR. DINH:

Q It says docs to DOJ, then questions turn up and not off.

MR. MURPHY: And not off period.

BY MR. DINH:

Q O-F-F, period, continue questions for release.

MR. MURPHY: I would observe that the second word or scribble doesn't look like questions

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to me. It doesn't look like QSTNS either.

THE WITNESS: It doesn't to me either. But in any event, this doesn't sound like the way I talk.

MR. MURPHY: I don't know. I might disagree with that.

THE WITNESS: You've seen some transcripts of me in court?

BY MR. DINH:

Q First of all, let me just ask you if you recall this meeting.

A I recall a meeting in Mac's office. I don't -- I can't tell you that that's this particular meeting.

Q You can't recall the specific date of that meeting in Mac's office?

A No, it would have been sometime in early of January of '94. It would have been sometime in early January, before January 12th or whatever the day was.

Q So it's consistent?

A That the note was --

Q It's consistent --

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MR. MURPHY: Do you want to finish your answer?

THE WITNESS: It's sometime before January 12th, which is the day that I think that Mr. Nussbaum sent a letter to the Attorney General, but I can't tell you the meeting. I don't remember the specific meeting. But I remember a meeting in Mac's office.

BY MR. DINH:

Q Do you remember saying words to the effect that documents were turned over to DOJ, and then were returned back at or about -- I am sorry. I'm sorry.

Do you recall saying generally that documents were delivered to the DOJ?

A I don't remember saying this. I kind of remember this issue, but I don't remember saying -- I don't remember saying this at the meeting. I remember that an issue regarding this had come up in early January.

Q Okay. And can you state generally just what the issue is?

A I think that somebody had represented to the press that the documents had been turned over.

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And, in fact, these were documents in Mr. Kendall's possession that I remember.

And Mr. Kendall was just taking longer than whatever day I remember this issue taking place. But they had not yet been turned over or at least they hadn't been completely turned over.

And the issue was that we said something that was -- something inaccurate to the press and we had to correct it. I don't remember saying this, but I generally remember that that issue was on the table around that time.

Q Okay. Let me direct your attention to the next page S020564.

A 565.

Q I'm sorry, 565. And again in approximately the middle of the page there where it says Neil.

A Yes.

Q Again attempting our best recreation of Mr. Gearin's handwritten, I think it says turning over papers dash, brought Congressional, CONG'L, credibility.

MR. KRAVITZ: Excuse me, Viet, I think it

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says bought as opposed to brought.
MR. DINH: I'm sorry, bought, you're right.
BY MR. DINH:
Q Bought Congressional credibility for a week or so. Do you remember saying this at the meeting?
A No.
Q Do you remember generally what it pertains to?
A Well, let me just think about it for a second. Not immediately.
MR. KRAVITZ: Mr. Eggleston, you should, obviously, take as much time as you want to read the rest of the notes. It may help you put it in context.
THE WITNESS: Maybe that's a good idea. Thank you, Mr. Kravitz.
MR. KRAVITZ: Viet, if you wanted to give him your typewritten version, that might make it easier, too.
THE WITNESS: Do you mind? Yours are in yellow, I figured you're going to direct my attention

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to all of those anyway.
BY MR. DINH:
Q That's exactly right. I was trying to see whether I had anything in there. They would all be in Vietnamese as well. You wouldn't understand them as well.
MR. MURPHY: That's a good trick. I also write in Vietnamese, according to my secretary.
(Witness reviews the document.)
THE WITNESS: I mean I could speculate. I don't remember this. It doesn't make much sense.
BY MR. DINH:
Q I don't want you to speculate. Okay. Do you recall -- let me direct your attention to the next page of the notes, 20566. And the middle of the page there where it says, HRC enters, it looks like a meeting, MTG, it might be interested in -- interested is INTRSTD, actually "in" is not there. It's not on the note, maybe interested dash.
Do you recall the First Lady entering the meeting in Mr. McLarty's office?
A Again, I couldn't specifically tell you

it's this meeting, but I remember a meeting in McLarty's office on the issue of Whitewater where the First Lady walked in.

Q Was that the only meeting related to Whitewater that you attended in the January time frame that Mrs. Clinton walked in?

A Yes.

Q Can you just give us your recollection of Mrs. Clinton walking into the meeting?

A I remember we were in McLarty's office and she just walked in. I think my impression was that she was going to talk to Mac about something else, had no idea we were there, looked around. And I remember her saying something like this looks like a meeting I might be interested in.

Q And did she stay in the meeting?

A I think she stayed in the meeting, yes.

Q Did she participate, do you remember?

A She stayed for a while. I don't know if she stayed until the end.

Q Did she participate in any of the discussions --



A Yes.

Q -- that you were engaging? Do you recall the substance of her comments, if any?

A Let me just think for a second.

(Pause.)

THE WITNESS: I think that she generally -- all I really remember is that she generally thought that we should become more active in responding to the allegations and being affirmative in our response to the -- really by this time was a deluge of press and Congressional attack.

BY MR. DINH:

Q And you said the allegations. Do you recall generally what those allegations are?

A I don't remember. I remember they generally relating to Watergate.

Q Whitewater?

A I'm sorry, Whitewater fraudulent. I think Watergate is written right in front of me which is why I said it.

MR. MURPHY: It says Watergate Committee.

MR. KRAVITZ: Just so the record is clear,

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those are Gearin's notes you're pointing to which say Watergate Committee?

THE WITNESS: That's 20566 which say Watergate Committee. I can't today remember which issues were on the table back in early January, because there have been so many issues since then.

I mean if I went back and reviewed the press, I could. But I don't remember which of the sort of never-ending stream of allegations had arisen by that time.

BY MR. DINH:

Q Okay. Well, I'm trying to refresh your memory with respect to that a little bit later on.

A Sure.

Q Let's continue on through the notes here. The next page is the 5 -- actually S20567. At the top says Whitewater meeting 5 January.

Do you recall attending a meeting the next day after the one that -- in Mr. McLarty's office?

A I don't remember there was a meeting the next day. I think I told you generally there were frequent meetings at this time. I'm not surprised

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that there was a meeting the next day.

Again, I'm -- unless you see my name in here or something, just because there was a meeting the next day doesn't mean I attended.

Q Right. Let me just direct your attention to the -- that page again, S20567, the first page of the 5 January meeting at the top where it says Bernie --

A Yes.

Q -- and then continuing down. If you can just study that for a second.

A How far down do you want me to look?

Q To the end of the paragraph starting with bad hearted.

A Okay.

(Witness reviews the document.)

THE WITNESS: Okay.

BY MR. DINH:

Q Now that you've had a chance to study the notes of that meeting, do you recall attending a meeting where Mr. Nussbaum expressed the view recorded here bad hearted guy goes in and decides a

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smell of corruption and can show some things of those people close around principals?

MR. MURPHY: Objection to the predicate to your question which is that Mr. Eggleston studied the notes. He glanced at the notes.

But other than that, you can answer the question.

THE WITNESS: I remember hearing Bernie express that. I'm not sure I can tell you that it occurred at this meeting on January 5th. But I remember that that was an expression that Bernie, Mr. Nussbaum, had about the appointment of independent counsel.

BY MR. DINH:

Q Okay.

A I notice on these notes my initials do not appear. So I can't tell from looking at the notes at least whether I attended this meeting. And I don't otherwise have any specific recollection of the meeting. But I remember that this was a -- something that Bernie would say periodically at this time.

Q And can you state in your own words what

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Mr. Nussbaum's view was with respect to this issue?

A Just identify for me the issue again.

Q I'm sorry. You said his sentiments regarding bad hearted guy goes in and decides a smell of corruption and can show some things of those people close around principals.

Just in your own words what you understand Mr. Nussbaum views were with you on that particular quotation because it's not very clear.

A Let me make what I said clear, what I remember talking generally about were his concerns about the independent counsel. I didn't mean to suggest that I remembered specifically this issue about bad hearted guy.

I don't remember him using the expression bad hearted guy. But I generally remember that he was -- he was concerned that independent counsel virtually has unchecked power, and that a person who is improperly not voted or politically motivated or motivated for personal aggrandizement and act in an unprofessional fashion and hurt people, that was my recollection of what he was concerned about.

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If he had people motivated by political factors or personal aggrandizement or whatever, they could -- they could improperly hurt people. That's what he was worried about; that's my recollection.

MR. KRAVITZ: Can I just ask one question for clarification?

MR. DINH: Sure.

MR. KRAVITZ: Mr. Eggleston, before Mr. Dinh read to you this entire paragraph that began with bad hearted guy and finished up with -- well, let me just say bad hearted guy goes in and decides a smell of corruption and some things of those people close around principal, I believe his initial question to you was, do you remember Mr. Nussbaum talking about or making that point or points similar to that.

And I think your initial answer was I remember Mr. Nussbaum making that point or saying something similar to that. And then later when Mr. Dinh asked you what your general -- what your recollection of what Mr. Nussbaum said, you mentioned that you hadn't -- that you don't remember

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Mr. Nussbaum actually using the term, quote, bad hearted guy.

My question is, do you remember Mr. Nussbaum saying that an independent counsel would find a smell of corruption and could show some things of those people close around principals?

Do you remember him saying anything like that -- I mean, do you remember him using those words?

THE WITNESS: Well, let me -- I don't remember him using these particular words. But I mean I remember his concern was that someone could come in and find something or claim that there's something where there wasn't anything.

And that that was -- and because independent counsel or special counsel essentially under the old law, at least, this was a time where we didn't have the law, had essentially unchecked power. They could just do whatever they wanted, that the wrong person improperly motivated could really -- could, you know, do whatever they wanted, and could find something where there wasn't anything

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and whatever. I think that's what I remember him talking about.

MR. KRAVITZ: Okay, thanks.

BY MR. DINH:

Q Let me direct your attention to, skipping ahead to S20575.

A 575?

Q Yes. And this states at the top Whitewater 1/7/94.

A The other one was on the 5th?

Q Yes. And I'll ask you to look that over. And I'll show you my typewritten document, if that helps.

MR. MURPHY: It's a funny looking one.

THE WITNESS: It is, isn't it?

(Witness reviews the document.)

THE WITNESS: Okay.

BY MR. DINH:

Q Okay. Let me direct your attention to V on S020575, the bottom of the page there.

A Yes.

Q And let me read that into the record here

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it says, PB, BL, Waldman arrow to ARK, A-R-K, to meet. And I think that's a symbol that Mr. Gearin has testified to means with, Beverly Bassett. Next line try to poke holes in their story.

First of all, do you recall this meeting on the 7th of January 1994?

A Kind of the same with this as the others, which is, I just can't place specific meetings.

Q Do you recall a meeting in which Beverly Bassett was discussed?

A I am sure I attended meetings where Beverly Bassett was discussed.

Q Okay. Do you recall this specific, the instance where someone expressed that PB, which is I guess that -- Mr. Gearin has testified to is Paul Begala, BL, Bruce Lindsey and Waldman, Michael Waldman, should go to Arkansas to meet with Ms. Bassett.

MR. KRAVITZ: Can you repeat that question? I'm not sure that's consistent with the testimony.

MR. DINH: Can you read that back?

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(The reporter read back the portion as requested.)

MR. KRAVITZ: I have to say yet I don't think that's consistent with any of the testimony about this conversation, particularly Mr. Gearin's testimony.

I think he testified that there was a discussion about whether some White House official, including one of these three or -- actually I guess only Lindsey and Waldman were White House officials and Begala was a consultant at some point to the Clintons.

But there was a discussion about whether someone might -- whether they might send someone to go to Arkansas to meet with Ms. Bassett. I think that's more consistent with the testimony.

MR. DINH: Just for the record, I was merely asking him if he recalled anybody saying this. I expressed no views as to what the testimony is or any representation as to what testimonies are.

MR. MURPHY: Well. Your question implied that someone was directing someone to go. But with

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that understanding.

BY MR. DINH:

Q Do you recall anybody directing anyone to go?

MR. KRAVITZ: And it may make sense -- actually, I'm sorry. It may make sense to read the remainder of the relevant notes, it may refresh your memory.

MR. DINH: He has. He has gone through that at the beginning of this iteration.

THE WITNESS: I don't remember anybody directing anybody to go down to meet with Ms. Shaffer.

BY MR. DINH:

Q Do you remember a general conversation or discussions about people going down to meet with Ms. Beverly Bassett Shaffer?

A Right. When I said Ms. Shaffer, I meant Beverly Bassett Shaffer. I remember thinking at the time and people saying at the time -- again, I don't remember the specific -- I can't -- you know, I just can't remember the specific meeting, that it was on

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the 7th or something.
But I remember that this issue of Beverly Bassett, now that I see it, must have been an important issue by then, and that's what she had to say about this issue was important. I don't remember anybody directing anybody to go down and meet with her.
Q Right. Do you remember any discussions about -- leaving aside any directions to anybody, but any discussions about White House officials or consultants affiliated with the White House to meet with Ms. Shaffer?
A I just don't.
Q Let me direct your attention to the next page 20576.
A Could I just -- since my -- I'm sorry. But one of the problems I have is that a lot of time has passed and a lot of it has been public, and last January I sat next to Bruce Lindsey in a hearing where he testified about a meeting with Archie Shaffer in a basketball game.
So I just have trouble since so

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many -- there was an episode regarding the airports --
MR. MURPHY: Which airport did they land in?
THE WITNESS: -- the subjects of which I never quite figured out. But I just -- I found as time has gone on and as I participated in various hearings and I read reports, I'm having more and more trouble of what I knew and at what point what happened in a particular meeting.
And I just want to say -- because I sat next to Lindsey as he testified about meeting with Archie Shaffer and was questioned for an hour about it. So I'm just having increasing difficulty keeping it all sort of what I knew when and what happened at particular meetings straight, because I keep hearing about other meetings and reading about them in the paper. And I just wanted to tell you that.
BY MR. DINH:
Q We're just trying to get your best recollection.
A I agree. And I'm trying to give you my

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best recollection. But it's getting harder and harder as the investigations go on to sort of parse out what I knew and actually identify what I remember taking place at a particular meeting because so much gets written.

And I'm sure I read the stories after Gearin and Ickes testified. And so I'm just having trouble reading what I actually knew then as opposed to what I may have learned since then through the press or whatever. I'm sorry.

Q It's quite all right. Thank you very much for that clarification.

Let me direct your attention to the next page which is 20576. The bottom of the page there where the notation is HI for Harold Ickes dash meeting of attorneys outside of WH, White House. Bev Bassett is so expletive important. If we expletive this up, we're done. Let's not talk it to death, let's just get it done.

Do you recall Mr. Ickes expressing this sentiment?

A Is this one sentiment or two sentiments?

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What I really mean is the meetings of attorneys outside of White House would seem to be a different sentiment.

Q Two sentiments. Do you recall him suggesting a meeting of attorneys outside of the White House?

A I don't.

Q What about the next sentiments that Mr. Bassett is very important -- is very important?

A Again, I don't particularly remember this meeting; although, I may be remembering this from the meeting. But I remember the issue of Beverly Bassett, and that she -- what she had to say about her role in whatever, in '85 or '86 was significant to this matter.

I remember that being important. I don't remember -- there's no way to remember every time Harold uses an expletive, because he doesn't use sentences without expletives.

In fact, there's been a lot of attention on the use of these words. But this is not an unusual way -- this is not a particularly emphatic way for

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Harold Ickes to talk. But I generally remember this issue of her statements about her role in '85 or whenever it was, I lost track of whenever it was, was important in how this would be resolved.

Q Do you recall that it being so important as the notes reflect, if we expletive this up, we're done, that is suggesting to a point it being critical?

A I don't -- it's the reference to if we F this up, we're done. I have no recollection of that. I mean people recognize that if she were suddenly to change what she had said publicly and -- for a long time and change her story about it, that that would be a bad development. But I don't remember anything about if we F this up, we're done.

Q Let me direct your attention to the next page, 020577. It's a continuation of Mr. Ickes. Again, it says HI, we can't send PB, BL, MW, Michael Waldman dash, it'll come out.

Do you recall him expressing that sentiment during these discussions?

A I just don't remember. It sure makes

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sense, but I don't specifically remember it -- .

Q Okay.

A -- him saying that.

Q Going down a couple lines from the page. Let's read the next line item by item, make sure her story is okay, and then there seems to be a listing of three different names or individuals, Tysdale question mark, and Lindsey firm, next line, skip, question mark, WH pass. Next line, PB friend, NY, New York lawyer, question mark.

Do you recall generally a discussion as to different individuals who may be -- may meet Ms. Shaffer?

A This all seems to fit together and makes sense, but I don't actually remember this discussion. It makes sense if somebody had said let's send down Michael Waldman to meet her, I probably would have said I wouldn't think that's a very good idea. Not because there was anything wrong with it, but because we'd read about it in the paper. But I don't actually remember this.

Q You don't remember discussions regarding

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Mr. Tysdale meeting Ms. Shaffer?
A I just -- I can't -- I can't remember that from that.
Q Next line, which is the next line skip --
A Right. I just don't particularly remember that -- I mean this sort of implies that we were thinking of some way to talk to her and talk about a way -- a specific way to do it. I just don't remember. I remember that she was important. I do remember that.
Am I done with this?
Q Yes. You can read it further.
A No, no, that's all right.
Q Let me direct your attention to a document Bates stamp 012577, which is a January 3rd, 1994 memorandum --
A Okay.
Q -- from Neil Eggleston to Joe Klein re: possible course of action in Whitewater.
A Right.
Q Let me ask you to take a look at that. Do you remember drafting this memorandum?

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A Just give me a second.
Q Okay.
(Witness reviews the document.)
MR. KRAVITZ: What is the Bates number on that?
MR. DINH: S012577.
MR. KRAVITZ: Which is one page?
MR. DINH: It's two pages.
THE WITNESS: You asked me whether I remember this. I do.
BY MR. DINH:
Q You do. And you prepared it?
A Yes.
Q Okay. Let me direct your attention to the third paragraph there.
A Yes.
Q Can you read the -- actually, I was going to the first two sentences. But there are only two sentences in that paragraph.
A Do you want me to read the whole paragraph?
Q Into the record.

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A "Nevertheless, numerous allegations are still being repeated in the press that we do have the ability to address information concerning the Rose law firm and possible conflicts of interest. Mrs. Clinton's receipt of fees from Madison and the circumstances surrounding the appointment of Beverly Basset Shaffer, security commissioner, in actions and supervising Madison are all examples on issues on which we were being criticized but where answers should be available."

Q Do you recall these issues or the ones -- among the ones being on the table at that time?

A I mean I don't actually remember. But I have no reason to doubt that I got them right here in the memo. I'm sure they must have been.

Q You're a very good issue spotter.

MR. MURPHY: Read the papers.

THE WITNESS: I read those papers.

BY MR. DINH:

Q But you remember the allegation regarding the Rose law firm and possible conflicts of interest which is one of the things you listed here?

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A You know, I don't mean to be nonresponsive. I'm sure I got the ones that were the hot issues in this paragraph. Without looking at this paragraph, if you were to say what -- I guess you did earlier, what are the hot issues, I wouldn't have remembered.

This doesn't actually refresh my recollection that these were the hot issues, but I'm certain that they were, among others. I mean the paragraphs do have additional issues, but what I really thought there was not too much we could do about that.

MR. MURPHY: Past recollection recorded.

THE WITNESS: I was going to go to past recollection. 803.

MR. MURPHY: Whatever.

THE WITNESS: 6.

MR. MURPHY: It's business records.

THE WITNESS: 5.

MR. MURPHY: 803.1 of the Maryland rules.

BY MR. DINH:

Q All right, thank you very much.

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MR. MURPHY: You can read it to the committee, but we cannot admit it into evidence.
MR. KRAVITZ: Rules of evidence apply at varying levels of --
MR. MURPHY: Sure.
MR. KRAVITZ: Shear justice.
BY MR. DINH:
Q Let me direct your attention to S009908 consecutively through 9911, a four-page document. January 17th, 1994. A memorandum from Harold Ickes from Eggleston re: statute of limitations and actions brought by the conservator of a financial institution.
And I'd ask you to take a look at that.
MR. MURPHY: Off the record.
(Discussion off the record.)
THE WITNESS: I reviewed this document dated January 17th, and I recognize it.
BY MR. DINH:
Q Okay. Did you prepare the document?
A Yes.
Q Okay. Did Mr. Ickes ask you to prepare

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this document?
A I don't remember that he asked me to prepare the document, but it was definitely an issue, substantial issue at the time. And I -- it's possible, I don't remember him asking me to prepare it, but I wrote it.
Q When you said a substantial issue at the time, was that the statute of limitations relating to claims brought by -- claims brought by the RTC relating to the failure of Madison Guaranty?
A That's -- I mean I guess I should be more precise. Sometime around this time was when Senator D'Amato was on the floor every day. And he had this big calendar, all that. I don't remember.
And the issue we had started to hear I think around this time that this was going to be a Congressional area of attack even if -- I just don't remember whether he was actually on the floor by January 17th with his calendar, but...
Q But certainly by January 17th, 1994, you had identified it or at least others in the White House had identified it as a relevant issue with

respect to the Whitewater/Madison matter?
A Yes. In fact, I'm sorry, I should have read it more carefully. The first sentence actually says, there has been substantial discussion by Republican members of Congress about the statute of limitations.
So I've actually identified that as of this date the Republicans had already begun to -- their attack on this issue. So this is a response essentially to tell Harold Ickes what it is they're talking about.
Q Okay. And this was dated January 17th, 1994?
A Yes.
Q Did you discuss with Mr. Ickes this memorandum with him after you had turned it into him?
A I don't recall. I don't think that I did. I don't even know that he read it. But I don't think that I ever discussed it with him.
Q But you did send it to him?
A Yes.
Q Did you discuss the issue with Mr. Nussbaum



who is CC'd on the memorandum?
A I'm sure I discussed the issue of the statute of limitations with Mr. Nussbaum. I don't actually remember. Mr. Nussbaum was my supervisor. So as a general matter, if I sent something to Mr. Ickes, I sent a copy to Mr. Nussbaum.
I didn't report to Mr. Ickes. I don't remember whether I discussed this memo with Mr. Nussbaum. But I'm certain I discussed the issue of the statute of limitations with Mr. Nussbaum.
Q Outside of this memo, do you remember discussing the issue of statute of limitations with Mr. Ickes?
A No.
MR. KRAVITZ: Let me just clarify that. I mean Mr. Eggleston has testified at length over the past two years about a meeting that he attended on February 2nd, 1994 which that subject was discussed. I just want to make sure there wasn't --
THE WITNESS: Thank you. I was really thinking at or about in connection with this memo when I was answering it. Obviously, I have had

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a -- the opportunity to talk about the statute of limitations at great length before this committee.

And so -- but when I answered that question, I was really referring to, you know, around January 17th and in connection with this memo.

BY MR. DINH:

Q Okay. Actually, let me refer you back to a document we had looked at earlier, that is one of the two memorandums for -- one of the two memoranda dated January 9th and January 10th --

A I have them in front of me.

Q -- of 1994, the Whitewater group.

A Are these your copies? Do you need them?

Q No, it's the only copies. I want you to take a look at them. Let me direct your attention to item number 11 on both the S20888 and S20760 --

A Right.

Q -- and ask you to read that into the record.

A On the memorandum dated 9 January '94 paragraph number 11 says, "memo raised statute of limitations for civil actions (counsel assigned 1/8,

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footnote 2)." On the memo dated 10 January 1994 which is 20760, the other one was 20888, it says, Paragraph 11 says, "memo raised state of limitations for civil actions (counsel-assigned 1/8, footnote 2)."

Q Does that refresh your memory with respect to whether Mr. Ickes had assigned you the task of preparing a memorandum on the statute of limitations?

A It doesn't. And actually it almost -- it almost leads me to conclude it didn't, because I think it would be quite unlikely that I would wait from the 8th to 17th to respond to a request from Mr. Ickes, that's longer than Mr. Ickes would expect me to take in responding to that question.

MR. KRAVITZ: I was going to say we might have gotten some more interesting notes out of that.

THE WITNESS: I mean I should say, he might have. I just don't remember. I kind of remember that I knew this was an issue. And I did it myself, and the first line kind of indicates that. It's possible he asked me to do it, but I just -- I don't remember that.

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BY MR. DINH:
Q Okay. Let me direct your attention now to document Bates stamp S7288, and it goes through S7294, actually through S7312 is the end of it.
A Yes, okay.
Q And it's a memorandum from Harold Ickes to the First Lady dated March 1st, 1994 re: Resolution Trust Corporation, first line says, "attached is a copy of W. Neil Eggleston, 28 February 1994, memorandum to me regarding certain issues involved in the RTC, and the Rose law firm." And the next page attaches your February 28th, 1994 memorandum.
A Okay.
Q Do you recall preparing the February 28th, 1994 memorandum?
A I do.
Q Did Mr. Ickes ask you to prepare this memorandum?
A I remember that he asked me to prepare this memorandum.
Q Do you recall approximately when he asked you to prepare the memorandum?

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A Not too long before February 28th.
Q One or two days before?
A Yeah, probably.
Q Do you remember this being him expressing to you this was a rush project of some sort?
A I don't.
Q Okay.
A But I would -- I was being asked to do a project by the Chief of Staff, I would do this quickly.
Q You generally have a very quick turnaround for memoranda to Mr. Ickes?
A Yes. In the White House, generally things move quickly, and there's not a substantial period of time to meditate over these things, so I would do these, these matters, request from the Deputy Chief of Staff, I would do quickly as a matter of routine.
Q Did Mr. Ickes request to you why he wanted research into this area?
A I don't think so. Although -- I mean these issues weren't surprising, they were all hot press issues at the time. But I don't remember him telling

me why he wanted -- it didn't surprise me that he wanted it. It was all hot in the press and --

Q Did he tell you that he had a discussion with the President and the First Lady and they wanted some research into this area?

A I don't think so. I don't think I knew my memo was going to the President, per se. But I don't -- I don't know. I've been asked that question before. And, you know, I kind of defer to whatever my answer was then.

But today I don't remember knowing that it was -- it was going to go to the President and the First Lady. I didn't see the cover memo until I testified in the summer of '94 I think.

Q Okay. So prior to the summer of 1994, you did not know that Mr. Ickes had sent that on to --

A Again, I don't think so. I don't think so. But again --

MR. MURPHY: But your recollection about this in the summer '94 would have been better than your recollection today?

THE WITNESS: Yes. Thank you.



MR. MURPHY: And we don't remember what you said in the summer of '94.

THE WITNESS: I don't remember what I said in the summer of '94.

BY MR. DINH:

Q Do you recall having any discussions with Mr. Ickes regarding the memorandum or the subject matters that you discussed in there with him afterwards?

A Well, this is -- I mean you can tell this says revised. I submitted one to him, and he had additional questions and I revised it.

Q Okay. Do you recall when he had additional questions, was it within the same day or --

A It was very quickly.

Q It was very quickly?

A Yes, but I don't know, within a day, two days, the same day. I just don't -- I don't remember that.

Q Okay. Did you understand them to be his questions, or did you understand them to be somebody else's questions that he was relaying?

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A I didn't have an understanding. He just asked me to prepare -- I think the actual questions in here are mine. I don't think he --

Q No, I mean -- I mean the questions that led to the revisions.

A Oh, no. I think he called and said I don't quite understand this or I don't quite understand that or could you add something on this. I just think it was a -- my recollection is it was there's some more -- there's some more things I need you to address or something. I don't remember knowing why.

Q Mr. Ickes did not tell you that he had sent your memorandum -- so it's clear on the record. Mr. Ickes did not tell you at the time that he sent the memorandum on to the First Lady or the President?

A Again, as I sit here today, I don't remember that he told me that. But, again, I first saw this cover memo in the summer of '94. I think I've testified about this.

And if -- I don't mean to be silly, but I'm certain I remembered better back in the summer of '94 when I first answered that question than I do today.

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So this is an area where having seen this memo sort of not too far off the time that the memo was prepared, by this memo I mean the cover memo from Mr. Ickes to the First Lady, I don't think he told me.

But I kind of want to tell you if I answered it in a contrary way in the summer of '94, that would be a better indication of my recollection than what I'm saying today.

MR. MURPHY: My recollection of what your recollection is then is that you didn't recall then either.

THE WITNESS: I don't think I recalled then either.

BY MR. DINH:

Q Did Mr. Ickes have any subsequent discussion with you regarding this memo in which he said that Mrs. Clinton still had some questions regarding issues raised therein?

A With the caveat that I've given you, I don't recall that. I don't recall knowing that this was going to go to the First Lady.

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Q Do you recall finding out afterwards that it had gone to the First Lady?
A I don't think I recall finding out until I saw -- until -- this memo became a big issue at the hearings in the summer of '94, because the White House produced it in a completely redacted form. It was 25 redacted pages. And at the time I testified in the House Committee, it hadn't been redacted.
MR. MURPHY: Unredacted in the House Committee? My recollection is that you testified I think in the House first.
THE WITNESS: It was redacted.
MR. MURPHY: And it was still redacted.
THE WITNESS: And it became a big issue, and it was shortly after I testified that they were produced.
BY MR. DINH:
Q But that was the first time that you had found out that the --
A In any event --
MR. MURPHY: My recollection is, and I'm not under oath. But my recollection is that it was

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during Mr. Eggleston's testimony in the Senate.
THE WITNESS: That they produced it?
MR. MURPHY: That they produced the document, that Mr. Cutler made the decision to produce it in unredacted form.
THE WITNESS: I remember being questioned about it.
MR. MURPHY: And you may have been asked about it like 2:00 o'clock in the morning by Senator Dodd.
THE WITNESS: No, Senator Hatch asked me questions, Senator Hatch.
MR. KRAVITZ: It was definitely released in its unredacted form sometime during that week of hearings in August of '94. I don't remember.
THE WITNESS: I don't remember Senator Hatch asking me questions about the memo.
BY MR. DINH:
Q But that was the first time you had found out that it had gone to the First Lady?
A That's the first time I remember finding out, with the caveat I said earlier, which is that in

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the summer of '94, I remembered better than I do today.

Well, this memo is essentially what the Altman hearing -- everybody thinks about it is the hearing, whether or not he disclosed the meeting with Mr. Ickes and myself, but, actually, what the hearing was about was essentially what this memo was about.

People have forgotten that the real substance of the hearing from the Republican side was all about the conflicts, and Senator D'Amato released the RTC report in the middle of the hearing.

MR. KRAVITZ: This is the February 24th, 1994 hearing?

THE WITNESS: Right. Actually what the hearing was about was essentially what this memo was about, which is the two FDIC reports which had come out really the week of the hearing.

And then the one with the RTC report that was released during the hearing, and that's essentially what the Republicans were doing with the hearing.

So that's -- so that's -- this memo is

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essentially what that hearing had been about. And the questions are kind of where does it go now in light of some of the things that have been released in those two reports, and some of the concessions that the Republicans had gotten out of the IG, and Mr. Holt and all that at the hearing. That's -- this is just a couple days after the hearing.

BY MR. DINH:

Q But your memo went further than to simply say the RTC reports and the FDIC report, did it not? Let me refer you to page 5 of the memorandum, it's the Bates stamp is cut off in the photocopy here, but it's --

A If you could give me the page number.

Q Page 5. And for the record, it's S7291. And I will direct your attention to the first paragraph there.

A Yes. Yes. But it's all the same issue of what's going on here. What is the RTC investigating, this is a summary memo of where are we. My recollection, again, I haven't read this whole thing, but this is basically a summary memo of where are we

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today.
I mean Mr. Altman had recused himself. These reports had been released; what are they looking at; what's going on; what can they find; what is happening; where do we stand here today in light of the hearing and what had happened at the hearing, where are we.
Q Okay. Let me --
A That's my recollection.
Q Let me direct your attention to the fourth sentence in that paragraph where you wrote, "the RTC could also sue outsiders, including the President and Mrs. Clinton, if the RTC found that the outsiders were the insiders illegally to divert assets of the savings and loan."
I take it that was simply just an issue spotter of a -- it could also sue outsiders?
A Yes.
Q You didn't have any evidence, factual or otherwise, that there was any such allegations?
A Well, allegations, Senator D'Amato had been making allegations by this time for two months.

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Other than what the Republicans were saying, I didn't have any facts to support it.
But it was just this is what -- this is what they were all saying, which is, you should sue the President or the First Lady. And so the question is, you know, what would they have to show, what would the RTC have to show to sue the President and the First Lady.
Q When Mr. Ickes assigned you the memorandum a couple days before you prepared this, did he talk with you specifically to address the potential exposure of the President and First Lady arising out of the failure of Madison?
A I don't remember. I should say I think the questions in here were ones that I made up as headings to make a long memo read easily. I don't specifically remember that he dictated a number of questions to me and said get the answers.
Q I just have one last line of questions.
A Okay.
Q Let me direct your attention to S10380. It's a letter dated February 4th, 1994 to Bernard

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Nussbaum and Joel Klein. And it's a 10-page letter ending with S10389 from Samuel A. Cessel, Junior.

Actually look through that very briefly.

MR. KRAVITZ: You don't have an extra copy of that one, do you?

(Witness reviews the document.)

THE WITNESS: Should I read the whole letter?

BY MR. DINH:

Q Browse through it. I think you read the first page. You can pretty much get the gist of the letter.

A Okay. Right.

Q Do you know who Mr. Sam Cessel is?

A I think I met with him.

Q Did you meet with him? The first page of the letter references a meeting with Mr. Nussbaum.

A I think I was in the meeting.

Q You were in the meeting?

A Yes.

Q How did the meeting come about?

A I think -- I have a very vague recollection

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of this, but I think that -- I think exactly the way he said, my recollection. It says, as we discussed, I called Senator Mitchell, and in turn his call to you, meaning Mr. Nussbaum, I think. I think that Senator Mitchell called Mr. Nussbaum and said you ought to meet with Mr. Cessel, and we can have a meeting with him.

Q And who is Mr. Cessel?

A I had no idea who Mr. Cessel was at the time. But Senator Mitchell asked us to meet with him and we did.

Q And you did. And did you discuss Whitewater and Madison with Mr. Cessel?

A Generally yes.

Q And subsequent to that meeting is when he wrote you this letter?

A Well, to Mr. Nussbaum and Mr. Klein. He didn't write it to me.

Q Did Mr. Nussbaum and Mr. Klein request Mr. Cessel to write this letter?

A No. Mr. Cessel was a volunteer, as I think his letter makes clear. He just volunteering his

thoughts to us about how to deal with this. I never met or heard of Mr. Cessel before.

Q Was there any follow-up to the suggestions or the volunteered advice that he gave in this 10-page letter?

A Not that I remember and not that I know of.

MR. DINH: I have no further questions.

MR. KRAVITZ: I have no questions.

THE WITNESS: Thank you.

MR. MURPHY: I have no questions.

(Whereupon, at 11:38 a.m., the deposition was concluded.)

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W. NEIL EGGLESTON

CERTIFICATE OF NOTARY PUBLIC & REPORTER

I, CINDY L. SEBO, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Notary Public in and for the
District of Columbia

My Commission Expires FEBRUARY 14, 2000

# DEPOSITION OF CHARLES E. JAMES
# IN RE: S. RES. 120

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**SUNDAY, MAY 5, 1996**

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER
DEVELOPMENT CORPORATION AND RELATED MATTERS,
*Washington, DC.*

Deposition of CHARLES E. JAMES, called for examination pursuant to notice of deposition, at 12:15 p.m. in Room 640–A of the Hart Senate Office Building, before JANE W. BEACH, a Notary Public within and for the District of Columbia, when were present:

VIET D. DINH, ESQ.
Majority Associate Special Counsel
JOSEPH A. JIAMPIETRO, ESQ.
Majority Counsel
LANCE COLE, ESQ.
Minority Deputy Special Counsel
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Building
Washington, DC 20510
On behalf of the Committee.

ALSO PRESENT: JOSEPH POTTER
STEVEN BANKLER

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PROCEEDINGS

(12:15 p.m.)

Whereupon,

CHARLES E. JAMES

was called for deposition in the above-entitled matter and, having been first duly sworn by the Notary Public, was examined and testified as follows:

MR. DINH: On the record.

EXAMINATION

BY MR. DINH:

Q Good morning, Mr. James. My name is Viet Dinh, as you know, and I am with the majority staff of the Senate Special Committee to investigate Whitewater Development Corporation and related matters.

With me is Mr. Joe Jiampietro, also with the majority side, and Steve Bankler, both of whom you have met and introduced off the record before, also with the majority side.

As we explained to you briefly off the record, this deposition is conducted pursuant to

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Senate Resolution 120, a copy of which you have in front of you. The resolution establishes the Special Committee, administered by the Senate Banking Committee, to conduct an investigation into Whitewater Development Corporation, Madison Guaranty Savings and Loan Association, and other related matters specified in the resolution.

Section 1(B)(3)(a) of Resolution 120 authorizes an investigation and public hearings into, and I quote, "the operations, solvency, and regulation of Madison Guaranty Savings and Loan Association and any subsidiary, affiliate, or other entity owned or controlled by Madison Guaranty Savings and Loan Association."

Section 1(B)(3)(b) of Resolution 120 authorizes an investigation and public hearings into, and again I quote, "the activities, investment, and tax liability of Whitewater Development Corporation and, as it relates to Whitewater Development Corporation, of its officers, directors, and shareholders."

I anticipate that these subjects will be

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the primary focus of today's deposition.

Your testimony is being taken under oath and the stenographer will prepare a record of questions and answers. This deposition is taken in advance of public hearings and, as you have been advised by the staff of the committee, you are currently scheduled to be called as a witness at public hearings on Wednesday, May 8, 1996. That is this upcoming Wednesday. So, unless you are advised otherwise, please be prepared to testify on that date.

The transcript of this deposition will be treated as committee-confidential until the commencement of those hearings. At that time it may be made public in whole or in part.

Prior to the hearings, you will be provided with a copy of your deposition transcript for the limited purpose of preparing yourself for testimony at the public hearings. I anticipate that the transcript of this hearing will be ready tomorrow morning, and then we will go ahead and Federal Express that to you at your address.

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You may be represented by counsel, and as I see, you do not have counsel here. But pursuant to the procedures set forth in Resolution 120, some of which Mr. Cole and I have gone over with you off the record, objections as to the form of the questions will be noted for the record.

There are two grounds upon which you may object and not answer; that is, on privilege, and on scope grounds. And the scope grounds are the grounds that Mr. Cole had explained to you earlier; that is, that a question has exceeded the scope of the matters authorized in the Resolution 120.

As Mr. Cole explained to you off the record, again the ultimately if you refuse to answer a question, the committee chairman will rule on whether or not the questions or answer will be privileged or whether the question is within the scope of Resolution 120.

MR. COLE: Before we begin, I would just like to say for the record, since I don't think that it is on the record so far, I am Lance Cole. I am Democratic deputy special counsel.

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I am accompanied here today by Joseph Potter, who is a member of the minority staff of the Special Committee.

MR. DINH: I am sorry. I apologize for that, Lance.

BY MR. DINH: (Resuming)

Q Mr. James, could you state your name for the record, please?

A Charles E. James.

Q Can you give me a brief background of your education? You graduated from the University of Arkansas at Little Rock. Is that right?

A That's correct.

Q And with what degrees?

A A degree in accounting.

Q A degree in accounting.

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Did you do any graduate work in accounting?

A No.

Q Are you a certified public accountant?

A No, I am not.

Q Can you give me a brief history of your professional life from, say, 1976 till the present?

A Well, in '76, January 1 of '76, I went in practice for myself. The CPA I worked for sold his practice. I didn't have a job. I went in business for myself from '76 until '80.

In '80 I started trying to phase out my accounting practice because I got an automobile business.

Q In what capacity are you in the automobile business?

A I am self-employed.

Q Did you continue to work on your accounting business after 1980?

A Yes.

Q On a part-time basis?

A Um-hmm.

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Q Are you still presently in the automobile business?
A Yes, I am.
Q Are you a salesman?
A I am in the wholesale automobile business.
Q Wholesale automobile.
Do you still practice as a part-time accountant?
A I try not to, but I have just -- I think I did six tax returns this year just for family and friends.
Q Until approximately what date did you continue to work as a part-time accountant beyond just, you know, the occasional tax returns for your family and friends?
A Basically, I guess, it was probably '87.
Q '87. So, from '87 to the present, your primary occupation has been in the wholesale automobile business?
A From 1980 on it was.
Q But you continued to do some accounting on the side until 1987?

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A Um-hmm.
Q And in your capacity as a private accountant, did there come an opportunity for you to meet Jim McDougal?
A Yes.
Q How did Mr. McDougal come to contact you or you to contact Mr. McDougal?
A He had a CPA that was doing his work, and he didn't have time to do all of it necessary, and he referred Mr. McDougal to me.
Q And approximately what date was this? What year?
A It was in '76, at some point. I'd say the first half of '76.
Q And you, I take it, took on Mr. McDougal as a client?
A Well, I started out just helping the CPA, and I took the time to go through and get things straightened up for him and everything, and he asked me if I would continue doing his work.
Q Okay. And to what approximate date did you continue performing services for Mr. McDougal?

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A The last I did was for some '86 tax returns for him.
Q '86 tax returns. So those would be prepared sometime in 1987?
A Um-hmm.
Q And as part of your services for Mr. McDougal, did there come a time for you when you had the opportunity to work with an entity called the Whitewater Development Corporation?
A Yes, I did.
Q I know you have probably talked to a number of investigators and attorneys regarding your work for Mr. McDougal and the Whitewater Development Corporation.
Without telling me what you told them or what questions were asked of you, can you list for me the people and the agencies you have talked to regarding Mr. McDougal and your work for Whitewater Development Corporation?
A Just the FBI is all.
Q How many times have you talked to the FBI?
A Numerous times. I can't tell you. We're

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on a first-name basis.
(Laughter.)
Q I take it these FBI agents were working with both the Independent Prosecutor Kenneth Starr and Special Prosecutor Robert Fiske?
A Yes. Now, I think when Fiske was there, I talked to a different one than this last one I have been in contact with the most.
Q When you were contacted by an FBI agent?
A That's correct.
Q While he was working for Special Prosecutor Fiske?
A Um-hmm.
Q Have you also talked to investigators from the FDIC?
A Yes. I forgot all about them. They flew in from California.
Q Since you have had the notice of this deposition from the staff, have you had any conversations, meetings, or contacts regarding the substance of your testimony here?
A No. Well, let me rephrase that. You

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know, I had to testify down there last week.
Q Oh. Okay. Testify at the trial?
A Yes. But I actually didn't receive the subpoena until after that.
Q Right.
MR. COLE: Mr. James, when were you first contacted by the staff of the Special Committee and asked to appear here at your deposition? Do you recall?
THE WITNESS: Well, it's hard to say because I was supposed to appear in court down there. They didn't -- they were running late, didn't get to it. They put it off once. I think it was a week ago Monday I was supposed to be here. And the FBI down there called Mark Brenner and got it put off.
MR. COLE: And when were you first told that you would be required to appear at a public hearing this coming Wednesday? Do you recall?
THE WITNESS: Yeah. It was -- I was out of town working. Let's see. I left, it was Thursday.
MR. COLE: Thursday of last week?
THE WITNESS: Um-hmm.

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MR. COLE: Thank you.
BY MR. DINH: (Resuming)
Q Thursday of last week being Thursday, two days ago. Is that correct?
A Um-hmm.
Q So, today being May 5, Thursday would be May 2?
A Um-hmm.
MR. DINH: Off the record.
(Discussion off the record.)
MR. DINH: On the record again.
BY MR. DINH: (Resuming)
Q As I introduced to you before, Mr. Jiampietro is also here with us from the majority staff. I anticipate that I will be asking you some questions, more general questions, regarding your contacts, meetings, with Mr. McDougal and with then-Governor Clinton, Bill Clinton, and Hillary Rodham Clinton, and I will ask you some other questions regarding your subsequent contacts with people related to the Whitewater affair or investigation as such.

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Mr. Jiampietro, who is smarter and more technically adept than I am and has much more expertise in the particular transactions and tax-related documents, will ask you more specific questions regarding the activities surrounding the purchase of land from Whitewater Development Corporation for Whitewater Development Corporation, the incorporation of the company, and other tax-related work that you performed for them, that you may have performed for the corporation.

That will be the general focus of my questions, and Mr. Jiampietro's questions, and then Mr. Cole, who represents the minority staff, as he explained earlier, may have some follow-up questions.

MR. COLE: Actually, the way it will work, Mr. James, is when Mr. Dinh completes his questioning, I will have an opportunity to question you before Mr. Jiampietro begins. But I am sure that is what Mr. Dinh meant.

BY MR. DINH: (Resuming)

Q Just for the record, section 5(b)(7) of

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Senate Resolution 120, to which we referred you earlier, specifies the procedure to be followed in deposition, and that states, "Questions shall be propounded first by the majority staff of the Special Committee and then by minority staff of the Special Committee. Any subsequent round of questioning shall proceed in the same order."

I think that means that the majority gets to go first and then the minority goes. But since we are proceeding, my questions will be on discrete subject matter than Mr. Jiampietro's, I have no objection to Mr. Cole following me with questioning following my round of questioning then Mr. Jiampietro will continue with his subject matter so that it will help your recollection with respect to these particular issues.

You stated earlier that you were first contacted by Mr. McDougal after referral by his accountant sometime in 1976?

A That's correct.

Q And when did Mr. McDougal ask you to do work with respect to Whitewater Development

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Corporation?
A When it was formed. And I don't --
Q Approximately what year?
A I don't remember the exact date. As I recall, it was somewhere around '77 or '78.
Q Mr. Jiampietro will refer you to some documents that may refresh your memory with respect to those particular transactions.
A Just for the record, I stated for everybody before this started, a lot of people have a lot better memory than I do after ten years or better.
(Laughter.)
Q All right.
A With some of the statements that I have seen made.
(Laughter.)
Q We will try to refresh your recollection with some of the contemporaneous documents that were prepared at the same time and it may give you a better idea as to the times of the activities that were happening at the time.

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But right now I would like to get just your best recollection as to the events that happened.
MR. COLE: I am confused about one point before we go on because, if I understood Mr. James correctly, he said that he began to perform accounting services for Whitewater Development Corporation when it was formed. And the records and documents that are before the committee establish quite clearly that the corporation was not formed until about a year after the purchase of the property.
So I want to be, if we can, if Mr. James recalls, is he testifying that he began performing accounting services only when the corporation was formed or when the property was initially purchased?
Do you recall, Mr. James? It's not a memory test, but I want to make sure that we don't read something into your answer that wasn't intended.
THE WITNESS: Well, the way I took the question is when I started doing the work for Whitewater was when the corporation was formed.

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If I was doing Mr. McDougal's work, I am sure that I must have known when he bought the land.

MR. COLE: For the record, we have indication that the land was purchased in the summer of 1978 and the corporation was formed in June of 1979. So there is about year gap there, and that is what I am trying to determine as to whether you recall whether you did work in that time period before the formation of the corporation.

THE WITNESS: Well, there actually was, as I remember, a Whitewater.

MR. COLE: There was not a corporation?

THE WITNESS: That's right.

MR. COLE: There was a development named Whitewater.

THE WITNESS: I guess so. I don't remember it, but I am sure, you know, Mr. McDougal bought it, so -- and I was doing his work, so I knew about it.

MR. COLE: Did you prepare his 1978 tax returns?

THE WITNESS: Yes.

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MR. COLE: Okay.

BY MR. DINH: (Resuming)

Q Again, now, Mr. Jiampietro will be covering those subject areas, and because of some discussions between the staff, I will not venture in those subject areas, just to keep the issues clean, as Mr. Cole has requested of the majority through various discussions this past week.

So, Mr. Jiampietro will ask you some questions regarding both pre-incorporation activities that you did for Mr. McDougal and how they relate as the development was purchased and then subsequently incorporated into a corporate entity.

When you first heard of Whitewater Development Corporation either as corporation or as simply a plan in Mr. McDougal's mind, did he mention to you about the Clinton's involvement or any involvement the Clintons may have in that development?

A Not that I recall.

Q When did you first come to have knowledge of the Clintons' involvement in Whitewater?

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A When they got ready to form the corporation.
Q And how did you come upon that knowledge?
A Because I helped form the corporation.
Q Did Mr. McDougal tell you that the Clintons will be involved in this project?
A Yes.
Q Did you have any conversations with the Clintons regarding their ownership of the project?
A No, I did not.
Q So your work with respect to the incorporation was based solely on Mr. McDougal's representations to you?
A Yes.
Q Did you have conversations with Susan McDougal about the project?
A Yes.
Q During the process of the incorporation?
A Um-hmm.
Q You did. But you had no conversations with Hillary Rodham Clinton at that time?
A No.

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Q You had no conversations with Mr. Clinton?
A No, I did not.
Q You did not attempt to verify whether they had agreed to become part owners of this venture?
A I had no reason to.
Q As part of the incorporation process, you had to execute certain documents. Correct?
A Yes.
Q Did those require the signature of the putative owners of the corporation?
A Yes.
Q Did those require the signatures of Mr. and Mrs. Clinton?
A Yes, I am sure they did.
Q Did you send or did you have any communications or contacts or meetings with Bill Clinton or Hillary Rodham Clinton --
A No.
Q -- in order to get their signature on these forms?
A No.
Q How did you get them signed?

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A The attorney that formed the corporation, I suppose. I didn't do any of that.
Q And the attorney's name is?
A I don't remember because Mr. McDougal used quite a few different attorneys for different entities.
Q Was it a Mr. Brown? Does that refresh your memory?
A It could have been. He used him.
Q Okay. Just so I get clear as to your particular role in this process, the attorney who was working for Mr. McDougal on the incorporation prepared the documents and got the necessary signatures?
A That's correct.
Q What were your services in relation to the formation of the venture or of the corporation?
A I just handled the accounting work. You know, I was the original -- originally, I owned, I think, five or ten percent. I am not even sure now. I had forgot until all this started that I did own a percentage of Whitewater when it was formed.

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Q What was your understanding of the purpose of your ownership of the part of the company?
A Mr. McDougal just offered it to me, and I thought at the time it would be a good investment.
Q So it was -- oh, did you pay Mr. McDougal money for it?
A I paid for my share of the stock, yes, sir.
Q Do you recall approximately how much you paid for that, for those shares?
A No, sir, I don't.
It seemed like it was set up for a penny a share or a dollar a share. I don't remember.
Q Okay. But that was the par value of the --
A Yes.
Q -- stock. Did you pay more than par value?
A No.
Q But you paid the par value for what was required?
A Um-hmm.
Q Did you understand that Mr. McDougal was offering it to you, in part, as compensation for your

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services to Mr. McDougal?
A Well, no, because I was still going to get paid for doing the accounting work.
Q So your shares were in addition to the fees you would have normally charged for the accounting work?
A Um-hmm. I did not stay in it but a short period of time.
Q Did you know the circumstances through which you divested, you were divested of the ownership of Whitewater?
A Mr. McDougal bought me out.
Q Okay. You don't recall the specific circumstances. Do you know when?
A No, sir, I don't remember. But Mr. McDougal was moving to North Arkansas and --
Q Do you know --
A -- I went to work at another job.
Q Okay. I'm sorry.
Do you know exactly whom you sold the stock to? Was it to Mr. McDougal himself?
A I don't remember.

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Q Okay.
A Like I said, I didn't even remember that I owned it till all this came about.
Q All right.
Again, Mr. Jiampietro will get more into all this and refer you to the documents. I just wanted to get a basic understanding of your relationship with the McDougals as it relates to the Whitewater project.
During the time that you were involved in work for the Whitewater Development entity, for Whitewater either as a project or as a corporation, did there come a time when you had any communications with Bill or Hillary Clinton with respect to Whitewater?
A No, sir.
Q You had no contacts with Bill or Hillary Clinton?
A I met Hillary Clinton twice, is all I met her. Once and I can't remember the date; I remember where I met her, where I was at the time. And then once when she was trying to get the records for

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Whitewater from the McDougals and everything.
Q Okay.
MR. COLE: I am sorry. Did the first meeting relate to Whitewater Development Corporation, or was that an unrelated meeting?
THE WITNESS: It was unrelated, really. They just introduced me to her.
BY MR. DINH: (Resuming)
Q "They" being?
A The McDougals.
Q The McDougals. Okay.
Now, Mr. Cole referred to that meeting as "the first meeting." Was that temporally before?
A Yes.
Q Did that occur in time before your meeting with Mrs. Clinton to transfer the records?
A I don't know that it had anything to do with Whitewater at all. They just introduced me to her. I am just stating for the record I only saw her twice.
Q Okay. But I am just trying to get a time frame.

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You said on one meeting you met with Mrs. Clinton in order to give her the records.
A Yes.
Q Of Whitewater. The other meeting, the one when the McDougals introduced you to Mrs. Clinton --
A It wasn't a meeting.
Q Right.
A She just stopped by to see him, and they introduced me to her.
Q And did that occur before Mrs. Clinton, you transferred the records of Whitewater to Mrs. Clinton?
A Oh, yes. Yes.
Q Was it one year before? Two years before?
A Oh, it was, I'm going to say, it was in the '70s sometime when the first time I met her.
Q Okay. It was in the '70s sometime.
A Yeah. Um-hmm.
Q Do you recall if Bill Clinton was Governor at the time?
A I don't. I believe -- I do not believe he was.

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Q Okay.
A Because I don't think he became Governor till '80, did he?
Q Right.
A And it was before then.
MR. COLE: Well, let's just get it correct for the record. Governor Clinton was elected for the first time in 1978, began to serve as Governor in 1979, was defeated by Frank White in 1980, reelected in 1982, and then served from '83 until he became President.
THE WITNESS: I do not believe he was Governor at the time.
BY MR. DINH: (Resuming)
Q Okay. Do you think he was attorney general at the time? Did he have any public position that you knew of?
A At this time I don't recall.
Q Was this meeting before or after you became aware of such a thing as Whitewater either as the development or as a corporation?
A Sir, I don't recall.

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Q You don't recall.
A I really don't. I just remember meeting her that one time is all.
Q Okay. You stated that you remember where. Where was this meeting?
A The McDougals owned, or they owned part of a building on campus, and it was called the Packett House. And I was over there and met her.
Q The Packett House?
A Um-hmm.
Q P-A-C-K-E-T?
A -- E-T-T, I believe is the way it was. Um-hmm.
Q Did they have an office there?
A Yes.
Q And you had testified earlier that Mrs. Clinton had dropped by for some unrelated business?
A I have no knowledge of why she was there.
Q Okay. Did you have an office in Packett House also?
A I had a place there, yes, sir, where I, you know, I did so much work for them. I had my own

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office in North Little Rock.
Q Right.
A But I had a place set up there where I could work because I did so much for them.
Q Right. You had a desk or working space of some sort?
A Um-hmm.
Q And you were there working at the time when Mrs. Clinton dropped by?
A Yes.
Q Okay. And were both McDougals there?
A As I recall, they were, yes.
Q Okay. And Mrs. Clinton dropped by, and Mr. McDougal introduced you to Mrs. Clinton?
A I don't remember whether it was Mr. or Mrs. McDougal that introduced me. One of them did.
Q One of them. But both of them were there at the time?
A Here again I don't recall if both of them were there. I just recall that that's where I met her.

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Q Right. Okay. That's fine.
Other than the usual expected pleasantries, "how do you do," "how are you's," did you have any other conversation with Mrs. Clinton at that time?
A I shook her hand, and that was it.
Q Okay. You had no discussions about whatever accounting you were doing for Mr. McDougal?
A None.
Q Did you have any mention of any projects that Mr. McDougal may have been involved in?
A (Inaudible.)
Q I'm sorry. You have to state your answer for the record.
A No.
Q Okay. It is hard for the reporter to pick up a shaking or nodding of the head. I am sorry I did not instruct you so earlier.
While you were in the company of Mrs. Clinton during this first meeting, did you overhear either Mr. McDougal or Mrs. McDougal discuss anything with Mrs. Clinton?

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A No, I did not.
MR. COLE: Let's try it again. Save you the scope objection.
BY MR. DINH: (Resuming)
Q I simply am trying to get all the facts and trying to see what your recollection is, and I appreciate your attempt at kind of re-create these events for us because it turns out that it may be very significant within the scope of our investigation.
You stated that you continued working for Mr. McDougal until sometime in 1987.
A Yes, sir.
Q Okay.
A I can further this if you would like. And this is from the trial I just got through testifying in.
The last work that I was showed that I did with it was their personal tax return for '86 and a Flowerwood Farm that the end was March 31 of '87, and then that's as far as I recall. That's the last work I did for them.

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And I don't remember the dates on those tax returns, but I am sure you all have them.
(Laughter.)
THE WITNESS: Everybody else did.
(Laughter.)
MR. COLE: I suspect you will see them before the day is done.
THE WITNESS: Yeah.
(Laughter.)
THE WITNESS: And that's the last contact I have had with Mr. McDougal.
BY MR. DINH: (Resuming)
Q Okay. We will get to that a little bit later also.
Let me ask you about the second meeting that you had testified to with Mrs. Clinton. You stated that the purpose of the meeting was for you to hand over records of Whitewater Development Corporation to Mrs. Clinton?
A That's correct.
Q How did this meeting come about? Did she call you?

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A As I recall, the Governor called me at home one night, which I have never really met him but once, and it was quite a shock.

They were trying to obtain the records of Whitewater because they knew things were delinquent.

And as to what year, I do not remember this.

Q That was my next question. You were very prescient in anticipating my line of questioning.

But let me just step back one minute and go through this step by step.

Was it one call from the Governor?

A Yes.

Q You are sure there was only one call from the Governor?

A That's all I recall because --

Q Okay.

A -- I was on the phone at the time, and I don't know why that sticks in my mind, but I was.

Q Right. And you had --

A I put somebody else on hold for a while.

Q I can imagine getting a call from the

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sitting Governor is quite a memorable event, as it were.

A Yeah. People don't impress me a lot.

(Laughter.)

Q Okay. And it was in the evening, you said?

A Yes.

Q Or at night?

A At night.

Q Do you recall approximately what time?

A I want to say it was probably 7:00 to 8:00.

I can give you the circumstances. I was talking to my aunt, and I put her on hold, and I had to call her back, and I told her who called, and she didn't believe me. So, you know, I guess that's why I remember.

Q Okay.

A But as to what year, I do not remember.

Q Okay. Was it before or after you had completed your work for Mr. McDougal?

A Here again I can't be specific, but I

would assume that it was afterwards. And I am not sure of that.

Q Okay.

We got through the conversation, and you put your aunt on hold. You picked up your other line, and Governor Clinton says, "Hi, Mr. James, this is Bill Clinton"?

A Um-hmm. That's correct.

Q And did you talk about other subject matters before he broached you regarding the Whitewater records?

A No.

Q He said, "We met once before"?

A No, he didn't say anything like that.

Q Okay.

A He might have asked me how I was doing.

Then the way the conversation went is that he was interested in getting the records so that he could get the Whitewater tax returns filed.

He thought I might have been dragging my feet on the records. But I did not have them.

Q But he said to you that, "The tax returns



have not been filed," or something to the effect that they were delinquent"?

A That's correct.

Q And he needs records in order to file the tax return?

A Um-hmm. Correct.

Q And you stated that he said that he was under the impression that you had the records?

A Well, he was just checking with me to see.

Q Okay.

A And I can go ahead and clarify some other things if you all want it.

MR. COLE: Why don't you tell us what you remember about the discussion in as much detail as you can, because I think we are all interested in it, and I think rather than Mr. Dinh speculating about what might have been said, why don't you first tell us what you remember?

THE WITNESS: What I recall is that he asked about them, and Mr. McDougal, as I recall, was sick at the time, you know, had had this stroke, and I had not had any contact with any of them.

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Here again, I don't remember the dates that this took place. So that's throwing me off. I just can't remember.

BY MR. DINH: (Resuming)

Q Right. But, as Mr. Cole said, just go ahead and explain your best recollection and I will try to ask you more specific questions.

A I just told him that I would try to get in touch with Mr. McDougal but I hadn't seen him. And I don't remember if I even get in touch with Mr. McDougal.

Q And he asked for the records; President Clinton or then-Governor Clinton did?

A Yes. He was interested in getting the records to get things filed and up to date.

Q But you stated earlier that you did not have the records that he was looking for?

A The documents to prepare the return, I did not have.

Q Right. And those documents would be?

A Well, like check stubs, bank statements, anything.

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Q For the relevant year?

A Yes.

Q For the year that was delinquent?

A Yes.

Q Did you have any other records with respect to Whitewater Development Corporation?

A Only my files.

Q Your files meaning the files of the work that you performed for those years that you performed the tax returns?

A That's correct.

Q Did you have any idea as to who may have had the records that Governor Clinton was looking for?

A All I can do is assume that the McDougals did.

Q Did you tell that to Governor Clinton?

A Yes. As I recall, I did. You know, I just told him I didn't have them, I assumed that -- and this is the best recollection after 12, I don't know how many years, ten years, I guess -- that I did not have them, that I assumed the McDougals did, and I'd

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try to help them if I could.
Q Did there come a point in time when Governor Clinton asked you for whether records you had during the conversation?
A I don't recall at that time. I don't recall how I left my files with Mrs. Clinton.
Q But you ultimately did give your files to Mrs. Clinton?
A But I got them back.
Q You got them back?
A Yeah.
Q Let me take it one step at a time.
Did Governor Clinton ask you to give your files to Mrs. Clinton during that conversation?
A I don't recall. I don't remember, like I said, the circumstances surrounding that.
Q Okay. But the phone call from Governor Clinton was close in time to the time that you transferred the files to Mrs. Clinton?
A Well, I mean, close in time can mean different things. I am sure it was within months, you know, several months. Yes.

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Q Did you get a phone call from Mrs. Clinton concerning the files?
A Since you started the question, I have been trying to remember. I don't remember.
I took my file up to her office, and I recall that she wasn't there, something had happened, and I didn't wait around.
I just left her -- I got a receipt, as I recall, and I had something to do and left them.
And then I went back later and picked them up.
MR. COLE: Her office at the Rose Law Firm?
THE WITNESS: Yes. At the Rose Law Firm.
BY MR. DINH: (Resuming)
Q You left them there, you went off and did something later and then picked them up. You left the originals with the law firm?
A Yes. And it was for, as I recall, several weeks.
Q Several weeks you left the files with Mrs. Clinton?

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A That's correct.
Q At the Rose Law Firm?
A Um-hmm.
Q Did you retain a copy of the originals that you gave to Mrs. Clinton?
A No, I did not.
As I stated, I was out of the accounting business, basically, and I, you know, when the statute of limitations could run, I was getting rid of things.
Q I know you testified that you don't recall the specific circumstances concerning how you came to give Mrs. Clinton, but let me just ask you some general questions, and I don't want you to speculate, but just give me your best recollection as you can.
Would you have given, would it have occurred to you, was there any reason why you would have given those files to Mrs. Clinton without somebody asking for them?
A No.
Q Okay. So is it reasonable to say, and I don't want you to speculate, that somebody asked you

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to bring the files to Mrs. Clinton?
A Yes.
Q But you don't recall whom?
A That's correct. I wouldn't have taken them up there on my own.
Q Was Mrs. Clinton at the Rose Law Firm at the time? I mean did she like meet you at the Rose Law Firm when you dropped off the file?
A As I recall, she wasn't there, and that's the reason I left them.
Q Okay.
A And, oh, let me think about this a minute.
Q Okay.
A She may have been when I left them. At one point whenever I left them or picked them up, she wasn't there, now that I think about it. At one point, I did, I believe II did see her at the Rose Law Firm. But now, whether it was when I left them or whether it was when I picked them up, I can't recall.
Q Okay. You stated earlier that you got a receipt for the files. Do you recall who made out

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the receipt to you?
A I think her secretary did, but I don't recall that.
Q When you saw Mrs. Clinton at the Rose Law Firm either when you left the file or when you picked them up several weeks later, do you recall what Mrs. Clinton said to you?
A No, sir, I don't.
Q Okay. Do you recall how long the meeting lasted, or the conversation lasted?
A It was short.
Q Okay. Do you recall if she said anything about the files or anything about the Whitewater Development Corporation?
A I don't remember, sir.
Q So you got the files back?
A Yes.
Q And you retained them in your records?
A Yes.
Q Do you still have those files?
A No.
Q Why not?

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A I don't have anybody's when the statute of limitations ran. I wasn't in the accounting business. I got rid of them, to the best of my ability. I had stuff stored and everything, and I, you know, tried to get rid of it when I could because I am sure you know that paperwork can become -- overtake you.
Q And what is the statute of limitations?
A I have been out of this so long. I think it's three years from the date of filing. I don't for sure.
Q But at some point after you have no need for them any more for your own professional purposes, you would routinely destroy your records?
A Yes.
Q And the Whitewater Development Corporation files were destroyed in the same way?
A Yes.
Q Okay. Do you recall approximately what date?
A No, sir, I don't. I have been asked that.
Q Okay.

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A I wished I would have saved everything, you know.
(Laughter.)
Q Do you recall if you had destroyed them all at once or was it by year by year by year, or several times as the year rolls over?
A You're talking about a particular corporation?
Q I am talking about Whitewater Development Corporation.
A If you're asking if I, as a year statute of limitations ran, if I destroyed it then, no. I destroyed it all at once.
Q All at once. Okay.
I take it you prepared the tax returns for the corporation for several years running?
A Yes.
Q And you kept one big file; that is Whitewater Development Corporation?
A Yes.
Q And you did not every year, as the statute runs, for each tax return pull that particular tax

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return and the working papers and threw that away?
A No, sir. I didn't.
Q You just kept the entire file and then at some point in time you destroyed the entire file?
A That's correct.
Q Okay.
A That's the way I did all of mine.
Q Okay.
A No matter who it was for.
Q I know you stated that you do not recall specifically when, but let me try to delve into that a little bit better.
Do you recall if it was within a year after you gave the file to Mrs. Clinton?
A Well, here, again, I can't answer that because I don't know. You know, I don't know when the last year I even did a Whitewater tax return was.
Q All right.
Well, were they destroyed before, say, the 1992 presidential campaign?
A Yes.
Q Okay. So it is then safe to assume that

they were destroyed before you received any subpoenas for those records either by the Justice Department or by the Committee?

A That's correct.

Q Other than this one transfer of the files to Mrs. Clinton for several weeks at the Rose Law Firm, do you recall anybody else requesting you to see the files that you retained?

A I don't recall anyone.

Q And do you recall transferring the files to anybody while they were in your possession, other than the one time with Mrs. Clinton?

A I am going -- I am going -- let me think just a minute.

Q Okay. Take your time.

A And I don't remember why or what. I don't remember. There was a lady accountant named Yoly Redden, that I believe was their accountant.

Q "Their" being?

A The Clintons', as I recall. And I went to her office one time, but I don't recall what for.

Q Okay. Do you recall if you had your files



with you?

A No, I don't.

Q Okay.

A That's why I stopped there for a minute.

Q Okay. Did you have a meeting with Ms. Yoli Redden?

A Here again I can't recall. It just hit me that I did go to her office when you asked me that question.

Q Right. And you don't recall the substance of the conversation or the purpose of the visit?

A No. I sure don't.

Q And do you recall what approximate date it was?

A No, sir.

Q Do you recall in relation to your transfer of the records to Mrs. Clinton whether it was before or after you gave the files to Mrs. Clinton?

A Sir, I can't answer it, because I don't know.

Q Do you recall whether it was before or after you lost contact with Mr. McDougal because, as

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you testified earlier, had a stroke or was sick?
A If I answered that, it would only be speculation on my part.
Q I don't want you to speculate.
A Like I stated, some of these people that are quoting have got a lot better memory than me.
Q Now let me step back a little bit and pursue another aspect of your testimony you gave me about ten or fifteen minutes ago before I dealt with the specifics of the transfer of the files.
You said that when Governor Clinton called you, you had only met him once before?
(Pause.)
MR. COLE: Did you say that? I don't remember that.
THE WITNESS:
THE WITNESS: I think I said I just met Mrs. Clinton.
BY MR. DINH: (Resuming)
Q Mrs. Clinton one time before.
A Yes.
MR. COLE: That's what I remember.

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THE WITNESS: Yes.
BY MR. DINH: (Resuming)
Q Have you ever met Bill Clinton?
A Yes.
Q When did you meet Bill Clinton?
A Well, I can recall twice. Once in the airport in Memphis, I was on a trip to a NAScar race, and he was over there for some reason and knew we were from Arkansas.
And the second time was he came to our church for a July 4th. It was on a Sunday or something.
Q And is it your church in Little Rock?
A North Little Rock. Yes.
Q The airport in Memphis, do you recall approximately when this was?
(Pause.)
MR. COLE: Did he ask you about Whitewater?
THE WITNESS: To be honest, he didn't know me.
(Laughter.)

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THE WITNESS: It was around '75 or '76, somewhere in there.

BY MR. DINH: (Resuming)

Q Before he was --

A No, let me think. Maybe it wasn't '75 now, because I didn't -- I mean '85 or '86. '85 or '86.

Q He was Governor at the time?

A Yes. As I recall, he was, yes.

Q The substance of the --

A I think he introduced himself to everybody there as Governor Clinton.

Q Everybody there meaning there was another group with you?

A Yes.

Q You weren't alone?

A That's correct.

Q Did you introduce yourself to him?

A Um-hmm. Not just me, but everybody did.

Q Right.

Was this before or after his phone call to you regarding the Whitewater records?

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(Pause.)

A Here again it would be speculation, and I can back this date up because I left where I was in '86. So it had to be '84 or '85 that I saw him in Memphis.

Q Okay.

MR. COLE: If I could ask one clarifying question, Mr. Dinh?

You indicated that you prepared the Whitewater tax returns through the '86 tax return year?

THE WITNESS: I believe that's correct. I don't -- it was either '85 or '86. I would have to look at one. I don't recall the exact last date I did one.

MR. COLE: But based on that, the time that Governor Clinton called you was the time when you no longer were preparing the Whitewater tax returns, when he called you at home. Is that correct?

THE WITNESS: That's what I am a little unclear on. The last work I did for Mr. McDougal was

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in '87, and I remember him coming to my house one day and we sat down and tried to -- I told him I was no longer doing any and I wanted out, and he said if I would just help him get these done, he had had somebody else who was going to start doing them.

And here again it'd be an assumption on my part, but I am going to say it was before then, you know. I just -- I don't recall when.

BY MR. DINH: (Resuming)

Q Did you mention to Governor Clinton during this airport meeting in Memphis that you were directly his employee for Whitewater?

A Huh-uh.

Q Did the name Whitewater come up at all?

MR. COLE: I will object to the characterization of him as being independently in his employ. That may be your opinion of the relationship, Mr. Dinh, but I don't think that is anywhere in the record. I wouldn't want Mr. James to adopt a legal conclusion just because you throw it out in a question.

BY MR. DINH: (Resuming)

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Q If you would recall my question, I said, "Did you say anything like that?" And I don't want you to adopt anything I say. I am merely asking, "Did you say anything to Governor Clinton regarding your work for Whitewater?"

A No, sir, I didn't.

Q Did Governor Clinton broach the subject of Whitewater with you?

A No, sir.

Q But at the time, did you know that Governor Clinton was involved in Whitewater?

A Oh, yes, sir. But I don't think Governor Clinton knew me, probably.

Q But you did not try to use that as a common point of interest?

A No.

MR. COLE: Well, that's important, Mr. James. You testified earlier that you introduced yourself, so you gave Mr. Clinton your name, Governor Clinton your name?

THE WITNESS: Um-hmm.

MR. COLE: When you met him in the

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airport?
THE WITNESS: Um-hmm.
MR. COLE: And when you gave him your name, did he say, "Oh, you're Charles James, the Whitewater accountant?"
THE WITNESS: No, he didn't put it at that.
MR. COLE: Did he say anything to indicate to you that he recognized --
THE WITNESS: Yeah, I think, you know, he recognized my name, but that's all. But, you know, nothing came up about anything relating to that because there was a group of people there.
He recognized my name, yes.
BY MR. DINH: (Resuming)
Q I will continue this, and then Mr. Cole will have an opportunity to ask more clarifying questions regarding this.
How big was the group, do you recall?
A Well, we had won four or five trips, so there were four or five couples from our dealership, and there were a bunch of other Ford dealers over the

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State, and we changed planes in Memphis and met a bunch of other Ford dealers.
But as I recall, it was just maybe ten couples there.
Q So it was a fairly large group?
A Yeah. I mean, ten people; five couples or so, yeah.
Q And you all were meeting together?
A We were all staying in there together and just, you know.
Q So it was a public introduction?
A Um-hmm. That's correct.
Q And let me move then to the second meeting that you had with Governor Clinton, or the second time you came in contact with Governor Clinton, the July 4th service at your church in North Little Rock.
Do you recall approximately when this was?
A No, sir.
Q This is while Bill Clinton was still Governor of Arkansas?
A Yes.
Q Did you have an opportunity to meet

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Governor Clinton personally?
A No.
Q You didn't come up and shake his hand or anything?
A Not as I recall, because there were so many people there for it.
Q So basically it was just a common attendance?
A That's correct.
Q And you didn't have any conversations with any other members of his family or staff while he was there?
A None.
Q So you just saw him there. Did he see you there and give any indication that he saw you?
A Not that I recall.
Q You prepared tax returns for Whitewater Development Corporation. Correct?
A That's correct.
Q That is the corporate tax returns?
A Yes.
Q Is it your general practice to -- first of

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all, where did you get the information that goes into the tax returns generally; the ledgers and the line numbers that you ultimately put in the tax return?
A I prepared them.
Q You prepared them. Did Mr. McDougal give you the check stubs and supporting documents?
A That's correct.
Q Did Mrs. McDougal ever give you any of these documents?
A Well, how do you mean by "give me"? She brought me some, yes.
Q Brought some.
A Yes.
Q And those were while you were completing the tax returns, those were your sole source of documents and information relating to Whitewater Development Corporation?
A Yes, sir. I had a small practice. In fact, I wrote the checks for them on some of these for a time up until they moved to North Arkansas. I posted the ledgers, made the deposits for them, kept up with the note payments.

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Q So some of the information comes from your own files and notes and ledgers?
A From my own files?
Q That is, you know, from the checkbooks that you use in order to write the checks for them?
A Yes.
Q Okay. They were the checkbooks of their company.
Q Right.
A But they put me on there so I could sign and do them, you know.
Q Right. Right. But some other information either Mrs. McDougal or Mr. McDougal brought to you?
A That's correct.
Q When you finished with the corporate tax returns, you obviously send one to the IRS.
A Correct.
Q You retain a copy for yourself for your files?
A That's correct.
Q Do you give a copy to Tim McDougal?
A Yes, I do.

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Q Do you give a copy to Susan McDougal separate from the copy you give to Jim McDougal?
A No.
Q Do you generally provide a copy to the other owners of the corporation; that is, Bill Clinton or Hillary Clinton?
A Here again, I can't recall if I did or didn't.
MR. COLE: It's an important question. So don't speculate, Mr. James. If you know the answer, please give it. But it's significant.
THE WITNESS: I can't say for sure that I did. I gave them a retained copy, you know, one retained copy. Whether I gave them two or three, I don't recall.
MR. COLE: When you said "them," you are referring to, when you just said, "I gave them a retained copy"?
THE WITNESS: The McDougals. Yes.
MR. DINH: The McDougals. Okay.
MR. COLE: So we are clear on the record about that.

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THE WITNESS: Yes.
BY MR. DINH: (Resuming)
Q But you know you definitely gave them one retained copy?
A Yes.
Q But you do not know whether you gave them more than one copy?
A That's correct.
Q Stepping outside of Whitewater, I want to ask more generally about the general practices that you have with respect to other clients that you may do work for.
For corporate tax returns, do you generally send them to other owners of the corporation that you know of?
A No, I didn't.
Q You didn't.
A But most of my practice, I just had, you know, if it was a corporation, there was just, they were small, there was just one, one person.
Q So, with respect to that one person, you definitely gave them the one retained copy?

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A That's correct. Somebody always got a retained copy.
Q In addition to the copy you keep for your own files?
A That's right.
Q Do you recall other instances where you gave more than one copy, more than the one retained copy?
A Regarding Whitewater?
Q No, no. Just in general.
A To anybody I did?
Q Um-hmm.
A I could have, sir, but I don't, you know --
Q Okay. I don't want you to speculate.
A Yeah.
Q Other than your telephone call with Governor Clinton that you have testified to, do you recall any other telephone calls that you may have had with Governor Clinton?
A I don't recall any, sir.
Q Do you recall any telephone calls with Mrs. Clinton?

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A All I remember is calling to get my files back.
Q Did you talk to Mrs. Clinton?
A Here again, I don't remember. Here again, I can't say for sure.
I remember calling over there, you know, requesting that I get my files back. But whether I talked to her or her secretary or who, I don't -- I do not remember.
Q After your last work for Mr. McDougal, that is, after the last time that you prepared any work for him, have you had an opportunity to come into contact again with Mr. McDougal?
A At the trial the other day.
Q At the trial the other day. Before the trial the other day, have you ever had any contacts, meetings, communications with Mr. McDougal?
A Not that I recall.
And the reason is I don't recall it, he happened to be in the hospital in '88, the same day when my mother passed away up there, and I was up there for six or eight months with her, and I never

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knew he was in the hospital at the same time to even go see him.
So that's why I am pretty sure that I didn't have any contact with him.
Q What about Susan McDougal?
A No.
Q No. Other than the trial the other day?
A That's correct.
Q Since you transferred the files to Mrs. Clinton at the Rose Law Firm and you saw her either when you dropped off the file or when you picked up the file, have you had any contact, communications, or meetings with Mrs. Clinton again?
A No.
Q Okay.
A Well, now, let me --
(Pause.)
Back when all of this -- I won't use my normal language here -- came about, during the campaign, I had reporters coming by being on my doorstep at 6 o'clock in the morning, and for his -- for the President's -- I am at a loss of words

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here -- his committee or his --
Q Campaign?
A Campaign over there, asked for a statement from me.
I would not say anything till I had something in writing that it was okay to do this. And as I recall, they were out of town somewhere, and I don't guess I even had any contact with them because they faxed something in that it was okay for me to make a statement.
Q Okay.
A Or to talk with their campaign staff over there.
Q You said they were out of town.
A Um-hmm.
Q On an out-of-town, on a presidential campaign trip, I take it?
A As I recall, yes, sir.
Q Would it have been Atlanta that they faxed the thing from? Do you recall?
A Here again, I believe that's correct. But I couldn't say for sure.

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Q Let's step back a little bit.
You said that was sometime in 1992?
A Well, I don't recall a specific date on it, sir. But I can show you how interested I was; I didn't keep a copy of any of it. And some -- well, I guess I got rid of it again -- some reporter sent me a copy of it, and I don't recall the date of it.
Q "Of it" being the authorization form that Mrs. Clinton faxed to you?
A Yeah. And then the statement I made.
Q That's okay. But do you recall if this was related to the campaign?
A Yes.
Q Who contacted you from the campaign?
A Well, I was in contact with a lady attorney from California.
Q Was her name Loretta Lynch?
A That's it.
Q Was this before or after the reporters started showing up on your doorstep?
A It was all in the same time period.
Q Same general time period.

I take it you didn't make any statements to the reporters?
A No. And I have yet to.
Q Did Ms. Lynch call you on the phone?
A Yes. I was in contact with her. So I am sure, you know.
Q Did she come over to visit you?
A No. I went over there.
Q You went over there to campaign headquarters?
A Um-hmm.
Q In Little Rock?
A Yes.
Q Can you tell me about the meeting? Just whatever you can with as much specificity as you can.
A Well, as I recall, there was a couple of them, and I just remember making the statement and there were several questions that were asked, and I commented on those questions, and it was all pertaining to this order, this article, and here again, I don't remember if it was the Washington Post or New York Times that first broke the story about



Whitewater.
Q But it was in response to it?
A Yes.
Q You saw the article printed. So this meeting was after the article came out?
A Well, no, it was on the same day that they broke it. Everybody started calling me.
Q Oh. Okay.
(Laughter.)
But at this time, if I understand your testimony correctly, you no longer were retaining any records pertaining to Whitewater Development Corporation?
A No, sir.
Q This was after your normal record destruction?
A Yes.
Q Did you refer to any records in the process of your preparing the statement for the campaign?
A Yes, sir.
Q Were you provided those records by

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Ms. Lynch?
A Yes.
Q Did she explain to you where she got those records?
A No, sir. They were my records. I didn't know where they came from. I have a speculation, but that's speculation.
Q Okay. But they were your records?
A Yes.
Q Okay.
A They were copies, photocopies of my records.
Q But you identified them as photocopies of records that you kept in your working files for tax returns?
A That's correct.
Q You said that you prepared a statement, and there were some questions that you came back with and asked some more questions. Do you recall how long this process was? Was it over a period of days or weeks?
A It was just, as I recall, it was a period

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of days. Here again, I had to waste one of my Sundays, as I recall, going over there.
(Laughter.)
I didn't have to, but I did.
Q Right.
And other than this one period, which I shall return to, did you have any other contacts with the campaign relating to Whitewater?
A Not that I recall. I mean, any contact I had with them was regarding this statement here.
Q Let me just show you what has been produced to us as documents Bates stamped JML-2755, 2756. Well, let me just get that.
A For sure I kept a copy of that statement.
Q I will ask you to study that. Take your time.
(Pause.)
Is that your signature at the bottom of page JML-2756?
A Yes, it is.
Q And it is dated March 4, 1992?
A Yes.

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Q As far as you recall, that was the correct date?
A It was around then, yes, sir, whenever.
Q And did you prepare this statement?
A Yes.
Q You typed it?
A No, no. No, no, no, no, no. We went through several things before I okayed this.
Q Okay. Let me back up and ask you about the several things.
A Yeah.
Q You first came over to campaign headquarters.
A Um-hmm.
Q And you testified that Ms. Lynch showed you some records.
A Um-hmm.
Q Did she ask you to study those records?
A Well, I don't say it was study, you know. I was shown them, yes.
Q You referred to them?
A Yes.

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Q And did she ask you specific questions relating to the records?
A As I recall, some, yes, sir.
Q And she asked you about specific transactions or certain records?
A A few, yes. Um-hmm.
Q Ask you for explanations or what your recollection was?
A Yes.
Q Similar to what we are doing here?
A Yes.
Q And then at some point did there come a point when somebody asked you whether you would sign a statement?
A Yeah.
Q Was it Ms. Lynch?
A She was the only one I dealt with. So I am assuming it was.
Q Was anybody else in these meetings that you attended at the campaign headquarters?
A Well, there were two or three different people in and out, yes.

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Q In and out.
A I didn't know any of them.
Q Right. I will ask you specific names later.
A Okay.
Q As to whether you recall.
But Ms. Lynch was the one person you dealt with as the primary contact?
A Yes. That's correct.
Q So you were asked to prepare a statement?
A Um-hmm.
Q Did you write out a statement in longhand?
A I don't recall how I came about giving it. You know, I'm sure I made me some notes. But it -- they typed it up. And I had to okay it, you know.
Q So they did the actual typing?
A That's correct.
Q "They" being somebody in the campaign?
A Yes.
Q And then you were asked to take a look at a typed statement?

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A Yes. Um-hmm.
Q And did you sign the first statement that was drafted?
A No.
Q No, you did not. Okay.
A I did not.
Q What was the problem with the first statement, if you can recall?
A I don't recall. I just wouldn't -- I want to say I just didn't feel comfortable with it.
Q Okay.
A As I recall, there was too much legal jargon in it.
(Laughter.)
Q And so you asked that it be revised?
A Yes.
Q Did you sign the second draft?
A I can't say what draft I did sign. But I finally got down to one, you know, that -- because it was the way I felt.
Q Right. Okay. But there were at least one draft?

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A Yes.
Q Maybe more?
A Maybe more.
Q And this was one of the statements that you signed that you identified earlier as JML-2756? That is your signature at the bottom?
A Yes, it is.
Q And you gave the signed statement back to the campaign?
A Yes. To distribute.
Q Let me show you now documents that were produced to us as documents Bates stamped JML-2885, 2886, 2887, and 2888. Again, the top of this, the "Statement of Charles E. James."
I ask you to study that document and take as much time as you need.
(Pause.)
A Okay.
Q Is that your signature at the bottom of JML-2888, the documents labeled --
A Yes.
Q "Page 2. Charles E. James"?

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A Yes.
Q And the date, again, is March 4, 1992?
A Yes.
Q In between the two pages of the statement there are sheets of what appears to be accountants ledgers, or at least the sheets having numbers on them.
Are these amongst the records that you were asked to look at?
A Yes. These are my records, yes.
Q These are your records?
A Um-hmm.
Q Do you recall looking at these during the campaign during those meetings?
A If you mean this specific sheet, I don't recall, but --
Q You don't recall this specific sheet, but generally they are the type of records you would have looked at?
A Yes, that's correct.
Q Do you recall signing the second statement?

A Now that you show me, it seems like I do remember signing two different ones. One was for somebody, and one was for something else.

And I -- it seems like one was just for the press or something like that, and here again, I didn't recall signing two till you showed me these.

Q All right. But now with the help of --

A It seems like there were two. Yes.

Q Now that there were two?

A Yeah.

Q And you said one statement was for distribution to the press?

A I believe that's correct, sir.

Q What was the purpose of the second statement?

A I don't recall.

Q You don't recall. Was it for an internal report that the campaign may have been preparing?

A I don't recall.

Q But now let me just show you again just for the record, just show you again the other statement that I show you and ask that you verify



that the difference between the two statements is the inclusion of paragraph 2 and 3 on the second statement dealing with the incorporation question, as it were, and whereas the first statement omitted those two paragraphs.

MR. COLE: For clarity, why don't you read those into the record, Mr. James? Someone coming back and reading the record without the documents will have no idea what you are talking about.

MR. DINH: Okay. While you examine those documents --

THE WITNESS: Okay.

MR. DINH: -- I will read these into the record.

Paragraph 2 of JML-2885, which is not on JML-2755, states as follows:

"At the corporation's inception, Hillary Rodham, Susan McDougal and myself were shareholders of the corporation. James and Susan McDougal managed the corporate affairs on a day-to-day basis. To the best of my recollection, neither Bill nor Hillary Clinton was involved in the management of the

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corporation."
Paragraph 3:
"Less than six months after the date of incorporation I assigned my shares in Whitewater Development Corporation to the Great Southern Land Company, with the result that the Clintons owned a 50 percent interest in the corporation and the McDouglas owned a 50 percent interest in the corporation, through the Great Southern Land Company. Jim and Susan McDougal were the controlling shareholder in the Great Southern Land Company. From that point forward, to the best of my recollection, the McDouglas, through the Great Southern Land Company, and the Clintons each owned 50 percent of the outstanding shares of the corporation."
(Pause.)
THE WITNESS: Well, it looks like paragraph 2 in this second one is different, has ben added.
Paragraph 3 --
BY MR. DINH: (Resuming)
Q Just for the record, by this --

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A The second statement.
Q The second statement at JML-2885.
A 2885.
Q 2885. Right. Paragraphs 2 and 3 are added?
A Yeah.
Q And then the rest of the statement follows except as the other statement?
A Well, basically, yes, sir.
Q Do you recall which version was the best version, the longer version or the shorter version?
A No, sir, I don't. You know, if I had known this was going to come to this, I would have taken better notes.
(Laughter.)
MR. COLE: You haven't seen anything yet, Mr. James.
(Laughter.)
MR. COLE: Wait till these two guys get going.
(Laughter.)
BY MR. DINH: (Resuming)

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Q Fortunately, we have been able to obtain a number of the records and will ask you to refer to those records later on in an effort to refresh your memory.

You said that other people were involved in the meetings that you had or in and out of these meetings that you had with Ms. Lynch.

Do you recall ever talking to a gentleman named Jim Lyons?

A Huh-uh.

Q Jim Blair?

MR. COLE: I'm sorry, you need to answer "yes" or "no."

THE WITNESS: Jim Lyons, no.

Jim Blair, yes.

BY MR. DINH: (Resuming)

Q Do you recall the specifics of your conversation with Mr. Blair?

A As I recall, Mr. Blair called me at home that morning, that Sunday morning. And it was, I think, before 6 o'clock even.

Q Okay.

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A And told me there was a story in the New York Times and asked me if I would be willing to make a statement about it.

Q Okay. He was your initial contact?

A As I recall, yes, sir.

Q And that was when you said, "I am not going to do anything unless I have authorization." Is that right?

A Well, I went down there and -- to the campaign. And when they told me all they wanted, I wouldn't do anything without authorization.

Q Okay. And did you leave that day from the campaign and waited for the authorization?

A As I recall, I did, yes, sir.

Q The authorization did not come while you were at the campaign while you were waiting there at the campaign?

A I don't believe so, sir, but I don't recall. But I don't think it did.

Q Regarding that authorization, it was signed by whom?

A Hillary Clinton.

Q Did Bill Clinton sign it?
A I recall her name on it. I don't his, sir.
Q Do you recall whether Jim McDougal signed it?
A No, sir, I don't.
Q Do you recall, that is, was his name on it? Was his signature on the release statement?
A As I recall, no, sir, it wasn't.
Q Was Susan McDougal's signature on the release statement?
A To the best of my recollection, it wasn't.
Q But you do recall Mrs. Clinton's signature being on it?
A Yes, sir.
Q Was that sufficient authorization now for you?
A Well, for me, because I was making a statement or, you know, what I was going to be saying was for their regard or, you know, was for them.
MR. COLE: Just so we are clear, Mr. James, on this because I think the record is a



little muddy, the authorization you were seeking was not authorization to act on behalf of the corporation but rather to make a statement that in the context of the campaign that would have some effect on the Clintons, and that is why you wanted the authorization.
THE WITNESS: That's correct. I just wanted authorization from the Clintons to make anything because, I, you know --
MR. COLE: Because I think Mr. Dinh is trying to portray this as if you needed authorization from the corporation, and as I understand your answers, your concern was that you didn't want to make a statement about the Clintons without clearance from them first.
THE WITNESS: That's correct. That's correct, yeah.
BY MR. DINH: (Resuming)
Q Just so the record is clear, I am not trying to portray this as anything, I am just simply trying to get what is your best recollection as to what authorization you were trying to obtain.

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A Yeah.
MR. COLE: But your questions, like the one you asked earlier, Mr. Dinh, are loaded. You asked him questions that are beyond leading; in fact, they assume things that he hasn't even said in his testimony. I want a clear record here. This is important testimony.
MR. DINH: Yes. Just so the record is clear, when you sit here and read back the questions if you like, I did not say anything regarding corporate authorization. I simply asked what names or signatures were on that authorization. You can draw whatever inferences you want from my questions, as any reader of this record can.
MR. COLE: The record will speak for itself. But I think we have an understanding on this point now.
MR. DINH: There may be a reasonable assumption, but, you know, you, Mr. James, as Mr. Cole are reasonable people, but I assure you I make no assumptions coming out of it. And certainly if I do, and if an assumption is incorrect, I am sure you

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will correct me on that because I would like to get the full facts.
THE WITNESS: Well, just for the record, the reason I wanted the Clintons' is because it was for their campaign. And that was the only reason.
BY MR. DINH: (Resuming)
Q But the statement did mention Jim and Susan McDougal, did it not?
A Yes, it did.
Q But you didn't see that as a problem and it did not hinder their interest in any way; more as a factual statement as to what their involvement was?
A Explain what you're asking me on this, sir.
Q Why did you think it appropriate to discuss Jim and Susan McDougal in the statement without asking for their permission?
A Well, I didn't recall or to me I didn't think -- repeat that question again, and I will --
MR. DINH: You can read back.
THE WITNESS: I wasn't quoting.
(Whereupon, the record was read by the

Court Reporter, as requested.)
THE WITNESS: I didn't feel that I -- I didn't feel that I was quoting or discussing them any, really. Their names were mentioned but --
BY MR. DINH: (Resuming)
Q Just so I get it clear, what precisely was your objection to having, to issuing a statement without authorization from either Bill or Hillary Clinton?
A Well, first thing, I don't like the press, and they were calling and everything and wanting to come to my house and everything. This was a presidential campaign, and I just felt that I needed their authorization before I said anything because anything I say was the campaign was asking me for.
I didn't know this, what was her name?
Q Loretta Lynch?
A Loretta Lynch, from Adam or Eve, you know. And I wasn't about to say anything to her unless I had authorization from them.
Q Okay. So you wanted to make sure that Ms. Lynch herself has authorization from the



Clintons?
A That's correct.
Q Okay. Was Mr. Blair at the campaign when you first went to the campaign headquarters?
A To the best of my recollection, he was not.
Q He was not. You met Ms. Lynch there?
A Yes.
Q Okay. Did Mr. Blair tell you to meet Ms. Lynch?
A I don't recall who told me to meet her.
Q But did you subsequently meet Mr. Blair during one of these meetings at the campaign headquarters?
MR. COLE: When you say "one of these meetings at the campaign headquarters"?
MR. DINH: He has testified to a number of meetings with respect to this one-week period or possibly several-day period relating to your statement.
THE WITNESS: Yes, as I recall, I was there a couple of times.

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As I recall, I did meet Mr. Blair once.
BY MR. DINH: (Resuming)
Q Do you recall the substance of the conversation?
A No, sir, I don't.
Q But it had to do generally with the statement that you were asked to prepare?
A Well, not my conversation with him. He just introduced himself to me, and that's all.
MR. COLE: That is an example of the kind of questions that I find objectionable. All I can do is state it on the record because you hadn't said anything to indicate that the discussion with Mr. Blair had to do with the statement. Mr. Dinh assumed that and then put it in his question to you, and that is why I am suggesting that we listen very closely, and I would suggest that Mr. Dinh refrain from those kind of questions. I don't think they are appropriate and they don't help get the full facts out on the record.
MR. DINH: Your objection as to the form of the question is noted on the record.

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BY MR. DINH: (Resuming)
Q Did you recall meeting Ms. Thomasses, Susan Thomasses, at the campaign?
A As I recall, I have never met her.
Q Do you recall meeting Ms. Betsy Wright?
A As I recall, I have never met her.
Q Mr. Foster, Vincent Foster?
A Never.
Q Mr. Les Patten, P-A-T-T-E-N?
A No, sir. That name does not ring a bell with me.
Q How about Norris Weese, W-E-E-S-E?
A No, sir. Basically, I spoke with this Loretta Lynch, and there were a couple of other younger people in and out of there that were bringing some documents to her and things. And that was it.
Q And then after this several meetings in this one-week period or several-day period pertaining to your statement, do I understand your previous testimony correctly that you had no other contacts with the 1992 presidential campaign?

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A Not that I recall, sir.
Q Besides the various testimony that you provided to the FBI agents or other investigators or other attorneys involved in the investigation of the Whitewater affair, have you had any contacts with anybody affiliated with the administration after the 1992 campaign?
A Not that I recall, sir.
Q You testified earlier that you had an interview with some investigators working for the FDIC?
A Yes.
Q Do you call that?
A Yes.
Q Do you recall that it was approximately sometime on or about August 3, 1994?
A I don't remember the date.
Q Would that be consistent with your recollection?
A Here again, sir, I do not recall the date. I can tell you where we met, but that's it.
Q Let me just show you a set of documents.

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Actually, they are one document with a number of pages. They reflect the type of notes of that interview of the agents that you talked with, and they are Bates-stamped SEN-22124 through SEN-22131.
At the top of the first page is a label "August 3, 1994, Interview with Charles James, Kent Goss, Dorn Dean, Thomas Murray."
Do you recall the names of the agents?
A Would you go over them again?
Q Okay. Do you recall Kent Goss, G-O-S-S?
A I think I do.
Q Dorn Dean, D-O-R-N; last name, Dean, D-E-A-N?
A I think, yes.
Q Thomas Murray, T-H-O-M-A-S?
A That name doesn't ring a bell like the other two.
Q But do you remember that there were three people?
A Three people.
Q What I am doing, Mr. James, was I am about to show you a page of those notes, but I was just

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taking a pen and blacking out some comments, some investigative comments that the investigator put into the memorandum in addition to what their recollection of the transcription of the interview was.

MR. COLE: I am sorry, could you explain that again?

MR. DINH: Right.

MR. COLE: The copy I have of the pages you have does not have any notes on it. So I don't know what notes you are referring to.

MR. DINH: I am not talking about notes as such. They are typed comments. But they are obviously not part of the transcription of the interview as such. Most of this is a report of the interview. They are portions of the document in which -- and they are designated by brackets.

MR. COLE: So what is your reason for not showing the witness the entire document? I think the witness is entitled to see whatever is in our record. I am going to give him a copy that I have that has everything.

MR. DINH: That's fine. That's fine.

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THE WITNESS: I guess I have got a question right here. I met with these people, and they just asked me questions and everything, and I was honest with them as I could be. And what did they do? Write up a report?

MR. DINH: They did.

MR. COLE: That was going to be my first question to you is whether you had ever seen this or had an opportunity to review it or approve it because I am always concerned when people read notes of interviews of witnesses and then characterize those as the witness's statement when the witness may have never seen the notes and they may or may not agree with what's been written.

THE WITNESS: I guess that's my biggest question. How do I know what these dudes have said?

BY MR. DINH: (Resuming)

Q Right. Let me give you --

A I am about to get angry.

Q Oh, no, no, no. Let me assure you I was just going to ask you for authentication and ask you for your true recollection and simply show these to

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you as refreshers of your memory to see whether you recall stating these to these agents.

You know, no one but you -- and I was going to wholly authenticate and give you an opportunity to --

A I guess I am getting to feel like I am almost on trial here when I am here to try to help.

Q No.

A And if I am on trial, I am going to get me an attorney like everybody else.

If I am not, I will help to the best of my ability.

Q Right. Let me assure you you are not on trial. We do not have that power in order to try or to indict or to prosecute, and, of course, you know, we have advised you that you have the right to an attorney.

We are just simply trying to get the facts out as best we can.

A And that is what I want to do to help everybody I can because I have nothing -- I am not ashamed of anything I did.

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Q Right.

A And I will try to help anybody I can. But I don't want to feel like I am being put on trial. And I had no idea what these people have done. I was just trying to help them.

Q And I just simply, because now it is now an additional year or two after your testimony, I am going to give you these notes and ask you to refer to them and see if they refresh your memory with respect to the events you have testified.

And with Mr. Cole's objection, I will undelete the blacked-out portions. But fortunately, it is not very easy.

So, as Mr. Cole offered, I would ask you to refer to his set of notes, and I will use my set.

MR. COLE: Just so there is no misunderstanding here among the staff, why don't you show me what you are proposing to black out, and perhaps I will agree with you.

MR. DINH: SEN-22126.

MR. COLE: Though I doubt it.

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MR. DINH: No, you are not being very agreeable, Lance.
MR. COLE: I am open -- minded. What is that you wanted to black out?
MR. DINH: The last sentence of the second full paragraph.
MR. COLE: The paragraph that begins, "After he completed"?
MR. DINH: Um-hmm.
MR. COLE: So, where these investigators made a note that says, "Compare this to earlier comment that he never saw Bill Clinton and saw Hillary Clinton only once" --
MR. DINH: Right.
MR. COLE: -- it appears that they have made a note about what they perceive to be a discrepancy in his statement, and you didn't want to show Mr. James that?
MR. DINH: Well, I was going to propose that we delete out all any such bracketed comments in any documents.
MR. COLE: Well, I think Mr. James should

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be permitted to see the entire document as it was taken down by the investigators and be given as much time as he wants to review it and be permitted the opportunity to make any statement or comments he makes.
So I am going to give you the entire document as it was given to us by the FDIC, Mr. James, and suggest that you take as much time as you want to read it.
It is about a half dozen pages of typewritten information.
THE WITNESS: I guess my main thing is, if they're giving all this out and it's based on me, why didn't they send me a copy or let me know they're doing it?
MR. DINH: That is their procedure, and I cannot explain it to you. But let me assure you that you will get a copy of the deposition transcript that we have here today. And I will Federal Express that to you as soon as we receive it.
MR. COLE: We will go off the record for a minute.

MR. DINH: Yes. Did you need to take a break? Did you need to use the restroom or anything?
THE WITNESS: I need to read this, I guess, since it's supposedly --
MR. DINH: Okay.
MR. COLE: Why don't you go ahead and take your time?
(Discussion off the record.)
MR. COLE: I think this might be a good time to take a lunch break. This is a long document.
MR. DINH: Sure.
MR. COLE: You may want to review it over the lunch break.
MR. DINH: Sure. That's fine.
We are off the record.
(Whereupon, at 2:05 p.m., the taking of the deposition was recessed, to reconvene at 3:00 p.m., this same day.)



AFTERNOON SESSION
Whereupon,
CHARLES E. JAMES
the person being deposed at the time of the morning recess, having been previously duly sworn, was further examined and testified as follows:
EXAMINATION (Continued)
BY MR. DINH: (Resuming)
Q Mr. James, while we were off the record, you have had a chance to examine the full report of the agents from FDIC of your August 3, 1994, interview produced here as SEN-22124 through SEN-22131?
A Correct.
Q I am going to ask you some questions relating to the three specific sentences related in that report and then you will have an opportunity to address whatever else you want regarding that report.
A Regarding the whole statement I can address it?
Q Okay. Great. We can go ahead. Well, actually, let me ask you the specific questions

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first.
A All right.
Q And then you can address whatever else that I know you have, and I know you may have some concerns with it, and I want you to have an opportunity to put that on the record.
A I just want you to know that this, a lot of this is not mine.
Q Okay. Great. That is exactly the kind of statement that --
A And I wish they were here.
(Laughter.)
MR. COLE: When you say, "It's not mine," Mr. James?
THE WITNESS: Well, these are not my words.
BY MR. DINH: (Resuming)
Q It is not your recollection of what you said during the --
A That's correct.
Q The first instance I would like to direct your attention to occurs on page SEN-22126.

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A Okay.
Q And on the second full paragraph there, the paragraph starting with "After" --
A Okay.
Q Let me read that into the record.
A Okay.
Q "After he completed preparation of Whitewater tax returns, he gave them to Jim McDougal for him to obtain the necessary signatures. He added that he did send off copies of the tax returns to the owners. He then stated, 'I never saw the Clintons all that much.'"
Then in brackets, it says, "Compare this to earlier statement that he never saw Bill Clinton and Hillary Clinton only once."
Did you send copies of the tax returns to Bill or Hillary Clinton?
A Like I stated earlier, I don't remember if I did or not. I gave -- I know I always gave at least one copy. In some instances I did send off, I'm sure. But I do not recall this.
I did not state this to them either.

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Q You did not state this to the investigators?
A That's right.
Q You dispute the sentence there that, "He added that he did send off copies of the tax returns to the owners."
A That's correct.
Q Okay. And did you tell the agents, "I never saw the Clintons all that much"?
A I probably did, because I told you that.
Q Right. And that is perfectly consistent with your testimony that you saw them once or twice?
A That's correct.
Q With respect to the fourth full paragraph there --
A Um-hmm. I've got it marked also.
Q Right. Let me read that to you, also, on page SEN-221126, and that states, "He stated he never mailed the Clintons everything." I mean, I'm sorry, "He stated that he never mailed the Clintons anything."
Did you say that to the agents?

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A I don't recall saying that.
Q You don't recall. You may, consistent with your testimony here today, is that you have mailed it to them or you may not have; you have no specific recollection?
A Yes, sir, that's correct.
Q Okay. Let me direct your attention now to several pages beyond that, a document Bates-stamped SEN-22128.
Let me direct your attention to the fifth full paragraph, the one that starts, and I will read the entire paragraph.
A I have already got it marked, probably what you're going to ask.
Q Okay. "He was asked to explain his comment on the Whitewater documents that Hillary Clinton. He responded that he took these documents to her office sometime after preparing the 1986 tax returns. He believes that at the time of the delivery, there were delinquent filings and that Jim McDougal was inaccessible after having suffered a stroke."

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And I would like to direct your attention specifically to the next sentence: "He said that Bill Clinton called him a couple of times at home and requested him to transfer the Whitewater documents to him. James also said that Hillary Clinton called him and told him that their accountant was handling the filings of past-due tax returns. He stated that he gave to Hillary Clinton the original Whitewater documents in his possession and that he kept no copies for himself. He said that the originals were returned to him at a subsequent date."

Let me direct your attention to the sentence that says, "He said that Bill Clinton called him a couple of times at home."

To the best of your recollection, do you recall whether Governor Clinton called you once or more than once at home?

A I only recall the one time.

Q And you have testified to that earlier?

A Yes.

Q And so you dispute the statement recorded here by the agents?

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A I want to go on the record that I dispute a lot of statements that are in here that are not my words but theirs.

Q Right. Okay. The ones I am drawing your attention to are --

A Yes.

Q -- in my mind, some of the more important ones, and I want to give you an opportunity to address them specifically.

A Yes.

Q Rather than a general address with respect to the entire report.

A And in the first place, I wouldn't make an exact statement on something that I didn't remember, and that is what this gentleman has made out of it, which I fully disagree with. And I wish he was sitting here today.

MR. COLE: Mr. James, just so we are clear on our record here, you have never seen this particular memorandum before it was shown to you today?

THE WITNESS: I have never seen this

document here at all.
MR. COLE: And you had no opportunity to review it after the interview or to --
THE WITNESS: None whatsoever.
MR. COLE: Or to correct it?
THE WITNESS: I never knew there was a document.
MR. COLE: Okay.
BY MR. DINH: (Resuming)
Q And the next sentence I would also like to direct your attention to: "James also said that Hillary Clinton called him and told him that their accountant was handling the filings of past-due tax returns."
Do you recall a phone call from Mrs. Clinton, Hillary Clinton, after Governor Clinton called you and asked you --
A I do not recall that.
As I stated to you, for some reason, I knew that this Yoly Redden was doing it. And whether it was for taking the files to Hillary's office or when I picked them up or what point.



And it seems to me that I did go to this Yoly Redden's office once, but I can't remember that I even -- I don't believe that I -- I wouldn't know what she looked like. I don't recall ever talking to her -- well, I might have talked to her, but I don't ever recall seeing her.
Q Right. Okay.
"Her" being Yoly Redden?
A That's correct.
Q And let me just make sure on this subject, I think your prior testimony was, and correct me if I am wrong, was that you are sure that somebody called you to tell you to bring the documents over to the Rose Law Firm to Hillary Clinton, you cannot say for certain whether it was -- you cannot recall for certain who it was?
A That's correct.
Q And do you recall Mrs. Clinton at any point telling her or telling you, Mrs. Clinton or Governor Clinton, telling you that their accountant was handling the tax returns, the McDougal-Clinton tax returns?

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A Like I stated just a while ago, I don't recall that, but it might have come up when I delivered the file there or picked the file up.

But I did state that I knew she was doing it because I went over there at one point.

Q Right. Okay.

Well, I have no other instances in this memorandum that I would like to direct your attention to.

You have stated for the record that you dispute a number of things both in the report and some specific instances. I would like to give you an opportunity to make any statements you would like about that.

A Just, you know, it would appear that his statement that I was a five percent shareholder of the Great Southern Land Company and that this may have provided to him as a compensation, well, now, that wasn't so.

Q And let me ask --

A "He believes that Bob Brown, Incorporated," I didn't remember who incorporated it.

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That was evidently put in there. Or they gave the name like you did, and I remembered it.

Q Let me just specifically for the record identify that you were referring to page SEN-22125?

A That's correct.

Q Okay.

A And here again, it's going to contradict what I told you. "Charles James stated he never saw Bill Clinton." That was dealing with this, you know.

Q Right.

A Their statements in here, I wish they were sitting in front of me so I could contradict them.

Q Right.

A Because this is not a true and correct statement.

Q Okay. And that again you were reading at the bottom of page on 22125?

A That's correct.

Q And as far as to the best of your recollection, the testimony you gave to us here today is your best recollection?

A That's correct.

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Q And it will be recorded on the official transcript.
A That's right.
Q Okay.
A I mean, I told you when I saw him in the airport and the other time.
Q Right. Thank you.
A And he uses "stated" in here a lot. I never used that word.
Q Right.
A Because I have told them just like you, after that many years, I didn't remember anything, and I didn't make any direct statements to them.
In regard to what the gentleman says about here there was interest rates went up and there was gasoline prices went up. He says I am off by about six years. But who appointed him God didn't know when everything was.
Q Let me for the record, you were referring to the second paragraph of page SEN-22127?
A That's correct.
Q Okay.

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A I never -- I would have no reason to make this comment right here. He added that, "Chris Wade had a large presence in the Flippin, Arkansas, area as a real estate salesman."
Q Again, that is at the bottom of the third paragraph of 22127.
A Those are not my words. I wouldn't have said anything like that.
Q Okay. Did you understand Mr. Wade to not have a significant presence in Flippin?
A Well, he had a real estate office there.
Q Right. And you knew that at the time?
A Yes.
Q All right.
A He just goes on through here that I stated this and I stated that. And that's not true. Ongoing Tickler system, those are not my words. I didn't have it. I don't use that word. Top of page 22128 there.
Q In relation to the document retention policy?
A That's correct.

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Q Yes.
A And here on page 22129, "It's curious that he would state that he had not complied to this recent request instead of stating that he could not comply, and he was inclined to do so."
Well, I think he is stating something here that is completely, you know -- I told them. I told the grand jury -- or I didn't tell the grand jury; I told the Federal marshal and everybody that I didn't have anything.
Q Right.
A And this guy is putting words in here that I didn't say.
Q And that, you were referring to 22129, the first full paragraph?
A That's correct.
And here it says that there's three drafts. I don't -- you know, I don't remember three drafts. There could have been. I told you that.

Q Right. You told me that there was at least one, there may have been more.

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A But why he says I stated in here, because I did not do that.
Q Again, that was toward down the bottom of page SEN-22129.
A "He said there was no smoking gun-type of document contained in the Whitewater documents he gave to the Clintons."
I don't ever recall saying that, and that's not my type of word to use.
Q That was at 2230 and the type of word you're talking about is the "smoking gun"?
A That's right.
A If this gentleman wants to quote somebody, he needs to learn how to quote them and not put his own words in there.
And he needs to, right here on this last statement on 22131, he got the questioning me about my bank accounts, which I didn't consider were any part of his investigation or he needed to know anything about.
Q These were the bank accounts you maintain at Madison Guaranty?

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A Yes. My personal accounts.
And I told him in no uncertain words how I felt about that.
Q Mr. James, other than your bank account at Madison Guaranty, did you have any other relationship with Madison Guaranty Savings and Loan Association? Did you have any loans with the Madison Guaranty Savings and Loan Association?
A Yes, sir. There was one, and we went over it at the trial down there, where there was a loan for an interest payment on Great Southern Land Company. And they've got all the documents there, and I am sure you've got them also.
Q Right. Right. Now, was this a personal loan?
A Yes.
Q Your own personal loan?
A Um-hmm.
Q Did you have any relationship with Madison Bank and Trust or the Bank of Kingston?
A How do you mean?
Q Do you maintain checking accounts? Do you

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have any loans there?
A No, not now.
Q Okay. You did? Did you have any loans at the Madison Bank and Trust?
A Here again, I don't remember whether -- they changed. It was Madison Bank and Trust; it changed to Madison Guaranty Savings or it was Madison Guaranty and became --
Q No, I'm sorry. I think we are talking about two separate entities here.
Mr. McDougal owned part of Madison Bank and Trust, which was formerly Bank of Kingston.
MR. COLE: And there is a real potential for confusion here. So let's slow down some and make sure that we are all working from a common base of knowledge.
Mr. James, I don't think Mr. Dinh or anyone else at the table would argue with me when I tell you that the Bank of Kingston in Kingston, Arkansas, in Northwest Arkansas, was purchased by Mr. McDougal and others and the name of that institution was changed to Madison Bank and Trust.

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THE WITNESS: Okay.
MR. COLE: And then a few years later, a separate and entirely different institution, Mr. McDougal purchased an interest in a savings and loan in Southern Arkansas, and he changed the name of that institution to Madison Guaranty Savings and Loan, and they are two entirely different financial institutions. But they each have the word Madison in the name. And I think we need to be careful and not confuse one or the other.
THE WITNESS: I don't ever recall having a loan or a banking, a checking account at Madison Bank in Kingston.
MR. DINH: Okay.
MR. COLE: Could I ask a clarifying question on what we just covered?
MR. DINH: Sure. Go ahead. I am actually just reviewing my notes. I think I may be done. But you go ahead.
MR. COLE: The loan that you mentioned that you had from Madison Guaranty Savings and Loan, with regard to Great Southern Land Development

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Corporation, did that have anything to do with the Whitewater property?
THE WITNESS: I don't recall that it did.
They had all those documents down there.
MR. COLE: "Down there" being at the trial?
THE WITNESS: At the trial.
Where I took out a loan and it was to pay, I think it was to pay an interest payment it said. And there were several transactions in there. And Mr. McDougal paid me back all the money that he owed me on that.
MR. COLE: Oh, I see. I may have misunderstood your response. You took out a personal loan from Madison Guaranty Savings and Loan so that you could make an interest payment for Great Southern Land on Mr. McDougal's behalf or on behalf of the corporation?
THE WITNESS: On behalf of the corporation.
MR. COLE: I see. I missed that. The way your answer came out, I thought you were saying

that you owed money to Great Southern Land.
THE WITNESS: No.
MR. COLE: And that you borrowed from Madison Guaranty to pay them the interest.
THE WITNESS: No.
MR. COLE: Okay. That's helpful. Thank you.
THE WITNESS: And all that is documented, and the FBI has got all of it, and the deposit slips where it was paid back; everything. And I am sure you do, too.
MR. DINH: I have nothing further at this time.
Like we stated at the outset, Mr. Cole will proceed to ask you some questions relating to the testimony you just gave in response to my questions. And then Mr. Jiampietro will delve with you more into the actual documents and the work you did for, among other things, Whitewater and Mr. McDougal.
MR. COLE: I will try to be very brief. I just have a few follow-up questions in the areas that



Mr. Dinh has covered, Mr. James.

EXAMINATION

BY MR. COLE:

Q First, what I would like to do is focus your attention, if I could, on the period prior to the incorporation of Whitewater Development Corporation, which would be the time between the purchase of the property in 1978 and the formation of the corporation in June of 1979, based on the documents that we have, and ask you some questions about what you were doing in that time period.

During that time period, were you providing accounting services for a number of companies for Mr. McDougal?

A Yes.

Q And can you recall what you did with respect to the Whitewater Development at that time before the incorporation?

A No, sir, I really can't.

Q The reason I ask, you stated earlier in your testimony that at least for a period you did things for Whitewater other than prepare tax returns.

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You said you had checkbooks and made some payments, and I am trying to determine whether you did those kind of things before the formation of the corporation.

A Sir, as I recall, I don't recall any checkbooks or anything. Basically, I think the land was just owned, and that was it. And that's all I recall of it until the corporation was set up.

Q And when did you first learn of the purchase of the land?

A I can't give you a specific date, but I assume it was when it was bought, because I was doing, you know, their --

Q My next question was going to be whether at the time of the incorporation you already knew about the land purchase, and I take it that you --

A Yes, sir, I am sure I must have, because I was doing their accounting work for them.

Q And did you prepare Mr. McDougal's tax returns for 1978?

A Yes, sir. I am sure I did, because I was doing their accounting work.

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MR. DINH: His personal tax returns?

THE WITNESS: Yes.

BY MR. COLE: (Resuming)

Q And do you have any recollection of reporting any information relating to Whitewater, the Whitewater Development, in connection with his 1978 tax returns?

A Sir, I can't remember back then.

Q I understand. It has been 18 years ago. So it is perfectly understandable.

And I believe I understood your testimony on this point correctly, but I want to go back over it just to make sure there is no confusion.

Prior to the incorporation of Whitewater, the Whitewater Corporation, were you aware that the Clintons had an interest in the land?

A I am sure I must have, yes. Right now I can't remember how it was purchased or anything like that.

I don't even -- and here again, I would be making a statement that I wasn't sure if I said that I did.

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Q So you don't know one way or another?
A I do not recall, no, sir.
Q And sitting here today, your best present recollection is that you learned of the Clintons' involvement when Mr. McDougal discussed forming the corporation with you?
A Here again, sir, I do not remember if the Clintons were involved with the initial purchase or when it was incorporated.
MR. DINH: But certainly by the time it was incorporated, you knew of it because you were involved in it?
THE WITNESS: Yes.
MR. DINH: But it may have been earlier than that?
THE WITNESS: Yes. But I don't recall. But I do know at the time it was incorporated they were part of it.
MR. DINH: Right.
BY MR. COLE: (Resuming)
Q Focusing now on the actual incorporation, you testified that you purchased a small percentage

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of the stock in the corporation?
A Yes, sir.
Q And do you recall the amount, dollar amount of the stock you purchased?
A No, sir.
I can't even remember the percentage that I did. But I purchased at par value. And some of these corporations they set up at a penny a share and some of a dollar a share. And it was based on the total outstanding shares as to what percent they and what I paid for it.
Q In terms of dollars that you paid, do you have a recollection of whether it was closer to $100 or $1,000 or $10,000 order of magnitude?
A No, sir. It was either -- you know, it was not $100,000.
But here again, I didn't have anything just to show, you know, like checks or anything as to when I paid for it. So I couldn't go back and look and see.
Q And do you recall whether at that time the Clintons were aware that you had purchased some of

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the stock from Mr. McDougal?
(Pause.)
And what I am really asking is: Is there any information that you have that would indicate the Clintons were aware of that?
A No, sir.
Now I, you know, I guess it would have been an assumption on my part that, you know, that they knew. But as far as any documentation or anything like that --
Q And what I am focusing here just to again try to avoid confusion, we do have various corporate filings later that show you as a shareholder, that the Clintons would have seen.
A Yes.
Q But what I am talking about is the money that you paid to Mr. McDougal. Do you have any reason to believe that the Clintons knew that you paid money to Mr. McDougal?
A I have no knowledge. You know, I wouldn't know. I don't know how to answer your question except that I don't know.

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Q "I don't know," is a perfectly acceptable answer. Don't feel badly about that.
A That's the only way I can answer.
Q And do you know whether the McDougals shared that money that you paid to him, whether Mr. McDougal shared the money that you paid to him with the Clintons?
A Well, here again, in the best of my recollection, it went into the corporation account.
Q The money went into the corporate accounts?
A Yes.
Q And what do you base that on? Do you remember that from preparing the --
A No; I said the best of my recollection that's where it went. But, you know, I know there was capital stock in there. So -- and it had to total what we paid in.
Q And still focusing on the actual formation of the corporation, were there any tax consequences that followed from the formation of the corporation that you can recall?

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A Do you mean immediately?
Q Tax consequences for the individual owners who formed the corporation.
A Not that I recall any.
Q And did you give Mr. McDougal any advice on the tax consequences of the formation of the corporation?
A Not that I recall, sir.
MR. DINH: Just so we are clear as to that, I did not get into these issues. Joe will attempt to get to these issues more in depth. Feel free to start them now, but I note that I was asking you more generally regarding the initial relationships and the like. But we will get into the actual tax, incorporation dates, and personal precise percentages when Mr. Jiampietro gets into it.
BY MR. COLE: (Resuming)
Q Moving forward, then, after the formation of the corporation, did you ever send copies of the tax returns that you prepared to the Clintons to review before they were filed?
A Not that I recall.

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Q And we went over this in detail, so I don't want to belabor it by going over it again, but your recollection today is that you would have given a copy of the tax return to Mr. McDougal?
A Yes.
Q Retained a copy in your file?
A Yes.
Q And filed a copy on behalf of the --
A To Internal Revenue Service.
Q The Internal Revenue Service.
And who obtained the signatures for that?
MR. DINH: I'm sorry. And may have given other copies to either Mr. McDougal or other owners.
THE WITNESS: I could possibly. I don't remember.
MR. DINH: Right.
MR. COLE: See, that is one place I think where we may have some difference. You questioned him, and eventually he gave that response, but when he first was questioned, he did not indicate that he did that. I am just trying to get what he did. Anything is possible, but I am trying to get what he

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remembered. I think the record is what it is.
MR. DINH: The record is what it is.
BY MR. COLE: (Resuming)
Q And you are not a certified public accountant. Is that correct, Mr. James?
A No, sir, I am not.
Q And you have a degree, a bachelors degree, in accounting. Is that correct?
A That's correct.
Q Your professional training. And do you have any special training beyond your bachelors degree in Federal taxation?
A No formal degree, no, sir.
Q And no formal training or special courses or anything like that?
A Well, you know, when I worked for a CPA firm, I took courses and things, yes, sir.
Q Which courses? What courses did you take, if you recall?
A I can't answer that, sir. I don't remember.
I mean, you know, every year they offer

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taxation courses that, you know, sometimes you go to and sometimes you don't.
Q And during the time that you were preparing the Whitewater corporate tax returns, which I believe you testified would have been '79 through '86?
A Yes, sir. I originally said '85 and told them I did not remember the exact year. And they produced some down there that I did for McDougal in '86 in that Flowerwood Farms that ended in March 31 of '87.
So as of the last year I did something, I really don't recall. I thought it was '85. It might have been of '86.
But the dates on the tax returns will reflect that.
Q During that time, did you ever obtain any information from the Clintons for use in filing the tax returns?
A Not that I recall, sir, because I never talked to them or saw them.
I mean here again, you all can put, you

know, put that any way you want, but, yes, I did talk to them, but not about those matters.

MR. DINH: I understand.

BY MR. COLE: (Resuming)

Q I understand.

A Yes. Well, after this guy, I am kind of --

MR. DINH: Indicating "this guy" being pointing to the FDIC.

THE WITNESS: Yeah. The FDIC.

MR. COLE: That's why we have a court reporter here taking down your exact words.

THE WITNESS: Yeah.

MR. COLE: So that there will be no confusion about it.

MR. DINH: You weren't pointing at anyone at this table when you said that.

THE WITNESS: No.

And here again, I want to state that, you know, sometimes you say something one time and the next time it might come out a little different. It could be construed different.



BY MR. COLE: (Resuming)

Q And when you were preparing the Whitewater corporate tax returns, was the person you dealt with primarily Mr. McDougal?

A Yes.

Q And what dealings, if any, did you have with Mrs. McDougal with respect to the preparation of the Whitewater tax returns?

A Well, I mean, she was always there, and, you know, and worked in the businesses, and whenever I wanted something, I really looked to Jim that he might have had her to get it for me or something.

But I really always looked to him.

Q I am just trying to understand who had the most involvement, and I realize it is over a period of years.

A Yeah. Yeah.

Q And did Mr. McDougal ever indicate that he needed to get information from the Clintons or get approval from the Clintons before taking any action with regard to Whitewater?

A If he did, he never discussed it with me,

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sir, or anything; not that I recall.
Q So you were looking to Mr. McDougal as your primary client?
A That's correct.
Q At the time?
A That's correct.
Q Even though he was only one of four of the owners of the corporation?
A Yes, sir. But that's true in all of these that he had partners in. I looked to him.
Q That was going to be my next question.
A Yes.
Q Did you treat Whitewater in any way differently than the other McDougal corporations that you were handling at the time?
A No, sir. I mean, I can inject here, if you want me to or not. It doesn't matter.
Q No. Go ahead with whatever you think is responsive to my question.
A The one with Senator Fulbright, Rolling Manor. You know, I met Senator Fulbright, he came by my office once, just dropped by when he was in town.

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But I never looked to him for anything.
In the partnership with Jim's cousin, I never looked to the cousin, you know.
I always, in any entity, I looked to Jim McDougal for the information I needed.
Q And was there a Smith-McDougal-Tucker partnership as well during this time period?
A Yes. Um-hmm.
Q And who represented that entity in their dealings with you? Was that Mr. McDougal as well?
A Mr. McDougal.
Q And so Whitewater was treated the same way as the other entities that Mr. McDougal controlled?
A Yes. I looked to Mr. McDougal.
Q When Whitewater was incorporated, did Mr. McDougal give you a reason for his decision to form a corporation?
A Not that I recall.
Q I just show you a couple of documents.
MR. DINH: Now we are getting, I think, far afield from where I was.
MR. COLE: No. I am going to show him.

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You questioned him about the formation of the corporation. I am going to show him the articles of incorporation that he signed. You raised it.

MR. DINH: Well, I mean, I was going through regarding, not the specifics of the articles of incorporation but --

MR. COLE: Well, I am going to show him the articles of incorporation.

MR. DINH: That's fine. But I just want you to know that we reserve the right to --

THE WITNESS: Let's see what dates --

MR. DINH: -- stay with the Senate Resolution 120.

BY MR. COLE: (Resuming)

Q This is a document that is numbered DKRT 700327 through 329. It appears to be a copy of the articles incorporation of Whitewater Development Company, Inc.

Take a moment to look at it, but I wanted to draw your attention to the last page and ask if that is your signature.

A Yes, it is.

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Q And what do you recall about the preparation of these articles of incorporation?

A In what regard, sir? How do you mean the preparation of them?

Q Why were they prepared? What were you told? Who authorized you to sign them?

A I was a registered agent. This one is showing me as the subincorporator here, is the way it looks.

Q And that is what I wanted to bring your attention because earlier during Mr. Dinh's questioning, I think you indicated that the Clintons may have signed some of the incorporation documents.

A I think I stated that I assumed they would if it was incorporated.

Well, I don't understand this, and I don't remember back then. They're showing here that each of the incorporators as follows, and it only lists me. Well, I know I wasn't the only incorporator. I mean, I wasn't the only stockholder.

Q You were not the only stockholder?

A Yes. Yeah.

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Q But it appears that you were the person who signed the articles of incorporation?
A Yes. Okay. I will agree with that. Yes.
Q And do you recall whether you did that at Mr. McDougal's direction?
A How do you mean "his direction," sir?
Q Do you recall him telling you, "Charles, you signed the articles of incorporation. You be the sole incorporator"?
A No, I don't recall that, because I just now, you know -- I thought that there were -- I was not the only one.
Q I show you another document that may help you recall this. You may have seen this before.
This is a document that is numbered DKSN 010933.
A Um-hmm.
Q It is a statement from the law firm of Harrison & Brown, dated June 29, 1979, to Mr. James McDougal, Little Rock, Arkansas.
A Um-hmm.
Q Do you recall having any discussions with

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Mr. Brown about the incorporation of Whitewater?
A I remember having some discussions with him, but I don't -- I remember Mr. Brown, you know, once they brought the name up and I remember it, but whether it was about Whitewater or what it was about, I don't remember. I do not recall.
MR. DINH: At this point, I just want to say that, Lance, do you want to go further into the issue of incorporation beyond the specific areas I covered, I think I will object.
You will recall that I had objected to your insistence with the procedures that you go after me. But I only had, as I said, it was an acquiescence for the time being. But Senate Resolution 120 is clear as to the procedures.
MR. COLE: You can note your objection for the record. But you asked the witness a question. He answered, and this document is relevant to the answer he gave during your questioning.
MR. DINH: Then if you are going to go on, I would insist that we follow the procedures set forth in Senate Resolution 120 and let the majority

finish its questioning, and then you can do whatever you want with your time, on your time, as set forth under Senate Resolution 120.

MR. COLE: The procedures are very clear, and these have been agreed to between myself and Mr. Giuffre, the chief counsel. They are memorialized in a memorandum which we can get put in the record if you would like. But the majority has the opportunity to question on a given subject matter, and then the minority. And I plan to conduct my questioning on the subject matter that you covered.

MR. DINH: And the question arises as to what is the subject matter. I said that I would reserve the right under Senate Resolution 120 not to give you an opportunity to question the witness first on subject matters that we did not cover. But that Senate Resolution 120 is very clear on that mandate, and I was not going to object in the interest of efficiency. But this is getting beyond the interest of efficiency, and into one-upmanship or strategy, and when it goes into that area, I will intend to invoke the procedures set forth by the Senate under



Senate Resolution 120.

MR. COLE: You can note your objection for the record, but I have a right to conduct my questioning in the way I feel is appropriate.

MR. DINH: Well, I think --

MR. COLE: You don't have the prerogative to contravene me. We are following the procedures.

MR. DINH: I think your last sentence is the most illuminating. We are both operating under the strictures of Senate Resolution 120, and you have no more authority to contravene those procedures than anybody else does other than the Senate itself.

MR. COLE: Well, I haven't interrupted your questioning or complained when you have covered the same subject matter several times, and I think that under our procedures and as a matter of professional courtesy, you should let me conduct my examination.

MR. DINH: As a matter of professional courtesy, I have let you conduct your examination beyond the point where I would have normally objected. But I think that if we are going to get

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into the substantive areas of incorporation, I would insist on the procedures set forth under Senate Resolution 120.

MR. COLE: Well, I have no idea what you mean by substantive areas of incorporation. Those are words that have no meaning.

You questioned Mr. James about the incorporation of Whitewater. I am questioning Mr. James about the incorporation of Whitewater. I intend to continue questioning Mr. James about the incorporation of Whitewater until I have no further questions on that subject.

You can take as much time on the record as you want to note your objections. But unless you want to adjourn the deposition and send the witness home, that is the way we are going to proceed at this point.

So it is your call as to whether you want to note your objection for the record or whether you want to terminate the deposition.

MR. DINH: Are you telling me that you will not follow the procedures set forth under Senate

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Resolution 120?

MR. COLE: I am telling you that you don't have any authority or particular reason to tell me what is or is not within the subject matter of my examination. I will conduct my examination in the way that I choose.

MR. DINH: I am talking about the procedures set forth under Senate Resolution 120 that I quoted at the beginning of this deposition. I outlined the subject matters that I was going to question the witness on.

MR. COLE: So you are telling me that you can question the witness about the incorporation of Whitewater and ask whatever questions of the witness that you wish, and yet when I begin to ask the witness about the incorporation of Whitewater, you can veto my questions because you think some are going far afield? That is not a defensible position.

MR. DINH: No.

MR. COLE: I don't think you want to take that position.

MR. DINH: You know, Lance, as well as

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I do that that is not the position I am taking.
MR. COLE: Why don't you state for the record what your position is, then? Because that is what I understood you to say.
MR. DINH: Well, then you were not listening. It is not a question or an issue of what questions you ask but it is a question of when. And when you proposed at the beginning of the deposition that you get an opportunity to question the witness with respect to the subject matters that I questioned him, in the interest of efficiency so that his memory would not have to be rejogged after sitting through the entire majority's questioning.
I said, fine, as a matter of professional courtesy, I would see to that, but I noted that Senate Resolution 120 provided for a different procedure. That is, the majority completes its questioning on whatever subject, as long as it is within the scope of Senate Resolution 120, and then you, the minority, gets an opportunity to question the witness on whatever subject as long as it is within the scope of Senate Resolution 120.

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That is the objection I am stating. It is a matter of when rather than what you ask.
MR. COLE: Okay. I think you have noted your objection for the record.
BY MR. COLE: (Resuming)
Q Now, Mr. James, when you were discussing the incorporation of Whitewater Development Corporation, did you have any discussions with Mr. Brown, the attorney at Harrison & Brown that you recall?
A I don't recall, sir. I remember now that you all brought up Mr. Brown, I remember speaking to him once, but I don't know if it was about this or about something, one of the other corporations or something.
I just remember Mr. Brown.
Q Other than perhaps Mr. Brown and Mr. McDougal, do you remember having discussions with anyone else about the incorporation of Whitewater Development Corporation?
A I don't recall any.
Q And in your discussions with Mr. McDougal,

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if you recall them, was there any discussion of what the tax consequences would be of forming a corporation?

MR. DINH: Again, now we are talking about the tax consequences issue, and not the incorporation issue.

If you go into this, I am going to insist that Mr. Jiampietro start his questioning and he can --

MR. COLE: He is welcome to start his questioning when I conclude mine.

MR. DINH: No. No, no, no.

I said that you can, out of professional courtesy, just as while I am questioning, you ask a clarifying question, that is perfectly fine and in the interest of efficiency, that is fine.

MR. COLE: Mr. Dinh --

MR. DINH: But otherwise, Mr. Jiampietro will start his questioning and then you will get your chance to ask whatever question you want, and you are free to stay at the deposition or not.

MR. COLE: Mr. Dinh, this is my

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examination. I intend to conclude it, and you can do what I have done in the many depositions that I have taken with you and other members of the majority staff; that is, I patiently and courteously wait until the other attorneys finish their examination and then I ask my follow-up questions.

In the time that we have wasted discussing this, I would have already completed my examination and Mr. Jiampietro would be asking questions now.

I intend to conclude my examination.

Could the reporter read the question back, please?

MR. DINH: Here again, I am going to ask the reporter to not go off the record.

MR. COLE: No, we are not going off the record. Whatever needs to be discussed, we will discuss on the record.

MR. DINH: That's right.

MR. COLE: It's not --

MR. DINH: Again, you know, you sitting patiently through the majority's question is only the

agreement that the 96 members of this body agreed to as set forth in Senate Resolution 120.

And I am sure the Senator appreciates your patience, but I would insist on the procedures set forth thereunder.

MR. COLE: And that is the procedures we are following. And you agreed to them.

MR. DINH: No. I did not. I agreed to them to the extent that you do not abuse the professional courtesy that I have extended to you, and I think that you have at this point abused that courtesy.

MR. COLE: Well, as I said, you can state your views for the record.

MR. DINH: And I have. And I can withdraw my courtesy as I extend it as you acknowledge it was a matter of professional courtesy.

MR. COLE: Well, be that as it may, I would like for the witness to answer the question.

BY MR. COLE: (Resuming)

Q The question was: Mr. James, do you recall when you discussed the incorporation of



Whitewater Development with Mr. McDougal, was there any discussion of the tax consequences of forming a corporation?

A Not that I recall. And there again, why would there have been? I mean, Mr. McDougal had, you know, various corporations.

I wouldn't have -- I don't recall.

I need to answer your question.

I don't recall him -- talking with him about it.

Q And from your own perspective at the time the corporation was formed, were you aware that forming the corporation would have any tax consequences?

A Well, here again, I --

Q For the individuals who were forming the corporation?

A How do you mean "tax consequences"? I mean, you know, I don't guess I am following your line of questioning on this.

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That's probably because I haven't introduced documents to refresh his recollection as yet.

MR. COLE: Well, Mr. Dinh, there is nothing inappropriate about asking a witness questions before showing them documents to see if they have a recollection that is independent of the documents.

MR. DINH: This is not about independent from that. My one question regarding incorporation was whether you recall Mrs. Clinton signing articles of incorporation, and Mr. Cole has used that one question -- and that question relates to the relationship the Clintons had with the McDougals, and what your recollection of that relationship was, and Mr. Cole has used that in order to move the questioning into more sensitive areas that I have not had a chance to refresh his memory on, which probably explains why.

MR. COLE: Well, I only have two or three more questions so I think we can then move on.

MR. DINH: I would appreciate it.

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BY MR. COLE: (Resuming)

Q So, Mr. James, if I am understanding you correctly, at least as best you can recall today, you did not attach any particular Federal Income Tax significance to the forming of this corporation?

A Not as I recall, sir.

Q And in other corporations that Mr. McDougal had formed for his real estate interest, had there been any tax consequences arising out of the formation of those corporations that you can recall?

A How do you mean, "tax consequences"? For him individually?

Q Yes. Exactly.

For him, or the other incorporators.

Did it affect the Federal tax liability of the individual incorporators when they formed a corporation and put real estate assets into that corporation?

A Yes, sir, it affects it, you know, because the corporation pays the tax instead of the individual.

Q The corporation pays taxes on the

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activities of the corporation?
A That's correct.
Q But do the individuals incur any tax liability apart from the activities of the corporation just by virtue of putting the property in a corporation?
A I don't know.
Q Let me show you a document that is numbered DKSN 014505.
MR. DINH: Now we are showing the witness tax returns? Now, Lance, you cannot possibly argue that this relates to my question on whether Mrs. Clinton signed the articles of incorporation. You cannot possibly argue that this is in good faith relevant to that.
MR. COLE: Mr. Dinh, where you draw your distinctions or your own -- is up to you, but if you ask a witness about an event, then anything relating or consequences arising out of that event is fair questioning.
MR. DINH: And you know that, as you acknowledged, my decision to let you follow me --

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MR. COLE: No. Let us be clear on one thing. You did not "let" or "permit" me to do anything. In fact, it was only after I discussed with Mr. Giuffra and confirmed with him procedures that have been in place throughout the conduct of these depositions, which apparently you were unaware of, that we agreed that we would follow the same procedures in this deposition that we have followed in every other deposition.
MR. DINH: And I think those procedures were agreed to in good faith, and that good faith is not being exhibited here by your abuse of them. In the absence of such good faith, I think that the professional courtesy that the Majority has extended will have to cease and we will insist on the procedures set forth under Senate Resolution 120.
MR. COLE: As I said, you can note your objection for the record.
MR. DINH: And I will go beyond that. You said that you had one or two more questions, and I --
MR. COLE: No, I said I had one or two more questions on the subject.

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I am now going to go to some other subject areas that you covered in your opening examination, and I will continue through until I have completed.

MR. DINH: That is fine, but I do not consider the tax returns --

MR. COLE: So you are objecting to my showing the witness a Whitewater tax return at this time?

MR. DINH: And now discussing the substantive issues of tax consequences.

MR. COLE: And the reason that you do not think the witness should answer those questions at this time is?

MR. DINH: Is that I think the Majority should have an opportunity to precede the Minority in the questioning just simply by the procedures set forth in Senate Resolution 120.

I am going to ask for a quick break, if I may.

(Whereupon, a brief recess was taken.)

MR. COLE: Back on the record.

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BY MR. COLE: (Resuming)

Q Mr. James, I would like to go back to the testimony that you gave a little while ago about the telephone call that you received from Governor Clinton. I believe you testified you were at home, and it was in the evening or at night, and Governor Clinton called.

I would like to try a little harder to establish the time of that telephone call, if we could.

First, is it your recollection that at the time you received that call you were no longer preparing tax returns for Mr. McDougal and Whitewater Development?

A Here again, sir, if I could remember the date I could tell you exactly.

(Pause.)

I don't remember if this was at the time, you know, I told you that Mr. McDougal brought some things over to my house one day and we caught everything up, and it was all done, I don't recall if this conversation with the Governor was before then

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or after then.
I just, you know --
Q And you think that meeting with Mr. McDougal took place in 1987?
A Well that's when those returns were dated, sir.
Q But you do recall, I think you said, that at the time the Governor called you did not have any of the documentation that he was looking for?
A That's correct. I didn't have the documentation to prepare the returns.
Q That was what I was getting at.
The documentation he was looking for would be the documentation to prepare returns?
A That's correct.
Q And did he indicate whether there was a return outstanding or delinquent at that time?
A All I recall about it was he was concerned about getting them filed, and I guess at this point -- it would be an assumption on my part to assume that they were delinquent, you know.
Q Did you --

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A Not knowing what date that was.
Q Did you have any contact with Mr. McDougal after the meeting that you just testified to when you prepared the '87 returns?
A Not that I recall at all, sir, like I said, because I knew he was in the hospital at the same time my mother was up there when she passed away, and I never knew he was up there.
Q And you don't recall whether or not this telephone call from the Governor was before or after your mother was hospitalized?
A That might give me a point to work from, on thinking about it. My mother passed away in December of '88.
Q You were talking with your aunt on the telephone when he called?
A Um-hmmm. Yes.
Q Was there anything you were discussing with your aunt that would help you in terms of putting it in context of time?
A No. It would be pure speculation on my part to put a date as to when it was, you know. I

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could tell you what I think, but that wouldn't -- I don't think that is what we are looking for.

MR. DINH: We are not asking for speculation.

BY MR. COLE: (Resuming)

Q And how long after the discussion with the Governor was it before you took your Whitewater files to Mrs. Clinton at the Rose Law Firm?

A Are you talking about in number of weeks, months, or --

Q Whatever the best estimate is you can give us.

A As I recall it was awhile, because I -- and I say "awhile," it wasn't the next day or anything because I believe I did try to get in touch with Mr. McDougal and wasn't able to. As best I recall, he was...

Q Did you tell Governor Clinton that you would try to get in touch with Mr. McDougal?

A As I recall, I did; yes, sir.

Q And then you in fact recall that you did attempt to get in touch with him?

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A As I recall, I did try to get in touch with him but wasn't able to.

Q What did you do to try to reach him?

Where did you try to reach him?

A (Pause.)

Q And in particular I'm trying to focus on whether he had already had his health problems at the time, and whether he was living in Little Rock or elsewhere, if that helps you with recalling the time sequence.

A He had had his health problems because he wasn't -- you know, he wasn't available.

Q Do you recall that there came a time when Mr. McDougal was indicted by a Federal Grand Jury and tried in Little Rock for bank fraud charges related to Madison Guaranty Savings & Loan?

A I remember it happening, yes.

Q And do you recall whether the incident with the telephone call from Governor Clinton and your attempts to reach Mr. McDougal were before or after Mr. McDougal was indicted?

A Sir, I don't remember.

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Q Well at least do you remember whether or not Governor Clinton was a Presidential candidate at the time he placed the call?
A He was not.
Q So it was before that?
A It was before then, yes, sir.
Q And what about the time, then, when you took the records to Mrs. Clinton at the Rose Law Firm. Was Governor Clinton a Presidential candidate at that time?
A I don't believe he was, no.
Q So you think that also --
A Yes.
Q -- would have been before then.
And the files that you took to Mrs. Clinton at the Rose Law Firm, were those all of your files relating to Whitewater Development Corporation?
A Yes.
Q What would those files have included?
A Just the working papers and tax returns.
Q What about check registers or records of payment, or other --

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A No.
Q But you did testify that at least at some time period you did things for Whitewater Development Corporation other than prepare their tax returns.
Am I correct in understanding that?
A Yes; like writing their checks, and when the checks came in for the notes posting them to the receivables. Yes, I did do that.
Q Would you have retained those documents in the records for those transactions?
A Hmmmmm...
(Pause.)
I wouldn't have kept the receivables. I would have just kept the working papers that I prepared, you know, from the journals.
Q Would those have been among the documents that you turned over to Mrs. Clinton?
A What's that?
Q The journals or receivable records? Or would it have only --
A I don't believe I had those at that time, sir.

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Q So this was at a later time?
A If it's in the time period that I'm thinking it was, and here I can't narrow that down. Here again, like I say, if I could know the date, or knew it before that Jim McDougal and I sat down and did his last work, or it was after, because when we did that I gave him everything except my working papers.
Q I see. That was something I didn't know, and I apologize if you testified to that previously and I missed it.
When you met with Mr. McDougal in 1987 to prepare the final returns, you turned over all the Whitewater records that you had, other than your --
A Well, now, I didn't prepare "final returns."
When I was no longer doing his work, and not just for Whitewater but for any of his entities, yes, all I retained after that was my working papers.
Q And by your "working papers," you are referring to the documentation to support the tax returns?

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A Um-hmmm. Work sheets and tax returns and things.
Q But you can't recall now, today, whether what you turned over to Mrs. Clinton included only the backup for the tax returns, or whether it included other material, as well?
A No, sir, I don't remember.
Q And do you recall who it was who asked you to provide the documents to Mrs. Clinton?
A I remember Governor Clinton calling, you know, the house that night, and we discussed it. And then after that, all I can tell you is I took the records up there. I don't remember who requested them, or --
Q And I'll tell you what is not clear to me, and you may or may not be able to help me on this point. It is not clear to me whether your taking the documents to Mrs. Clinton is related to the call from Governor Clinton, or whether they are two independent events.
Do you understand what I am asking you?
A Well, I think so.

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They are related in a way in that, you know, I couldn't get anything from Mr. McDougal; so I eventually wound up taking them up there. I guess, you know, they're two separate incidents, but they were related.

Q So let me ask the question a different way, then.

Was your taking the files and records to Mrs. Clinton at the Rose Law Firm in some way in response to the earlier call you had received from the Governor?

Or was there a separate request for you to give documents to Mrs. Clinton?

That is what I am getting at here.

A Sir, I don't recall.

Q That's fine. If you can't remember, you can't remember. It's been a long time ago. I'm just trying to figure out the time sequence in which things happened and the reasons that things happened.

Now you also testified that at some point you visited Ms. Redden, Yoly Redden --

A I visited her office.

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Q -- at her office.

A I didn't visit "her."

Q And do you recall at what point in time that occurred?

Was it after you took the documents to Mrs. Clinton at the Rose Law Firm?

A As I recall, it was after I took the documents to...

Q Would you have had some reason to visit Ms. Redden's office other than Whitewater-related matters?

A No.

Q So, while you can't recall, as I believe you testified, the reason you went to Ms. Redden's office, you believe it had something to do with Whitewater?

A Yes, sir; I believe it would. That would have been the only reason I would have had to go.

Q Do you have any recollection as to how long after you had taken the documents to Mrs. Clinton at her office that it was that you visited Ms. Redden's office?

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Was it shortly thereafter? Or was it a long period of time?
A I don't recall, sir. I really don't.
Q A final question on that point.
The visit to Ms. Redden's office, was it before you were contacted by the Clinton Presidential Campaign representatives?
A Yes.
Q So it was sometime before that?
A Oh, yes.
Yes.
Q A long time before that, or shortly before that?
A Well, I am thinking it would of had to have been a while before I was contacted regarding the -- by the Campaign about that statement for Whitewater when it came out in the press.
Q And at the time you went to Ms. Redden's office, did you have any understanding that she was preparing tax returns for Whitewater Development Corporation?
A For some reason that's what I recall, sir,

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but, you know, I can't say for sure; but it seems like that I recall that. But that's just...
Q And do you recall doing anything to assist her?
A I don't recall doing anything for her, sir. Like I say, I don't even really remember meeting the lady.
Q Did you take any records or documents when you went to her office?
A That's what I can't remember, if I was picking up something or taking something related to it, you know, and I just don't remember. That's just been so many years ago, and it's not part of my life anymore.
(Laughter.)
MR. COLE: I'm sorry to tell you this, but it is going to be a part of your life for the next few days, anyway.
(Laughter.)
THE WITNESS: It has been for the last few months.
MR. COLE: I can imagine.

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THE WITNESS: You know, if a person thought he was going to have to recall all this, he would take better notes.

I remember going to her office. That's all I can tell you.

BY MR. COLE: (Resuming)

Q So you remember going to her office, and you think it had something to do with Whitewater, and beyond that you don't have any memory?

A Yes, sir.

For my feeble mind, that is all I can remember that I would have been going over there for.

Q Well, then, moving forward in time to another area that Mr. Dinh asked you about, you testified that Mr. Blair called you at home on a Sunday morning?

A Yes, sir, I believe that's correct.

Q If you recall, at the time Mr. Blair contacted you did he tell you that it was concerning Whitewater Development Corporation?

A Yes, sir, I believe that's correct.

Q Had anyone contacted you about Whitewater

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Development Corporation in connection with the Presidential Campaign?

By that, I mean either a reporter, or some representative of the Clinton's, or the Clinton Campaign, before Mr. Blair contacted you on a Sunday morning?

A If they did, I do not recall it.

Q So was that the first time that you came to know that Whitewater was going to be a matter of renewed attention, if that is a fair way to put it?

A As I recall, that's correct.

Q So this was a call that came out of nowhere? You had no forewarning?

A I don't remember anything before that.

Q And do you remember at that time how long it had been, roughly, in terms of years since you had had any involvement with Whitewater in any of the events that we've described in the last few minutes?

A Well here again it depends on when I talked to Governor Clinton, whether it was before I ended doing the work, or whether it was after.

So if I could give you that date, I could

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give you a lot better information.
Q Okay. Let's focus then on the call from Mr. Blair. Did you know Mr. Blair before that telephone call?
A No, I didn't.
Q How did he introduce himself to you?
A I don't really remember. I just remember him saying this was Jim Blair, you know.
And I'm sure he made some introduction to himself to explain who he was and everything.
Q Did you know at that time that Mr. Blair was somehow affiliated with the Clinton Presidential Campaign?
Did you even know who Mr. Blair was?
A I knew who he was, because he was a prominent figure in Arkansas, you know.
Q And you knew he had some connection with the Clintons?
A That's correct.
Q That's what I am getting at.
So it did not strike you as out of the ordinary that Mr. Blair would be calling you

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regarding a matter concerning the Clintons?
A No, sir. Because I -- and here again, I don't know how I knew it, but I knew he was, you know, with -- associated with the Governor on his campaign and everything and was friends with him.
Q I see. That's very helpful.
And did Mr. Blair then ask you to go to the campaign headquarters in Little Rock?
A As I recall he did, sir, but...
Q And Mr. Dinh asked you if you saw Mr. Blair. It wasn't clear to me.
Did you see Mr. Blair later that day when you went to the Campaign Headquarters?
A You know, I don't remember if it was that day or if it was -- you know, I don't think all of this took place at the Campaign Headquarters the same day, but it seems like I did see him up there one day.
The best I can remember, he was a tall gray-headed man. That's the reason I think I remember seeing him.
Q I think that is an accurate description of Mr. Blair.

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And did Mr. Blair tell you to go and look for a particular person at the Campaign Headquarters?

A I don't recall, but I'm sure that's the only way I would have known to talk to this Loretta Lynch. I keep on saying Loretta Lynn.

Q And did Mr. Blair tell you at the time he asked you to go to the Campaign Headquarters that you were going to be asked to prepare a statement related to Whitewater?

A I don't recall him asking me to prepare a statement. Now, you know, at that time. He could have, but I don't remember.

Q Did he indicate the campaign had questions about Whitewater that they would like you to help answer?

A Well, yes, sir. I mean, as I recall, they wanted me to try to shed some light on the story that had come out, like I said, in one of the newspapers. I don't even remember which one.

Q And how did it come to pass then that you were asked to sign a statement, or to prepare a statement?

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A I don't recall how I was asked to do it, or why. You know, I know why. It was to clarify some things. But as to how, and everything, I don't remember, sir.

Q Did the preparation of the statement begin on that Sunday? Do you remember that?

A (Pause.)

I don't remember, sir. Now here again, I'm thinking I did this over more than one day, but I'm not sure.

Q By "did this," you mean prepared the statement?

A Well, started talking with them down there about it.

Q Do you recall that you made more than one trip to the Campaign Headquarters?

A It seems like I did, sir. Now I may -- you know -- I think I did. I couldn't be sure, but I feel like I did.

Q Mr. Dinh showed you two signed versions of your statement. I want to show you one additional version that is unsigned. It is Document No. DKSN

016117 through 119.
I would just note for the record that there is some handwriting at the top of page DKSN 016117 that says "not approved as of 4:40; will be approved in similar form by 10:30 as per Jim Blair."
I would ask you to take a moment to look at that if you would, sir.
(Document shown to the witness.)
A (Pause.)
I don't recall this, sir.
Q Do you have any recollection as to whether or not you have ever seen this statement?
A I don't recall.
Like I said, there were two or three that I wouldn't sign.
Q And do you recall whether this might have been one of them? Is there anything here that jogs your memory?
A No, sir, there's nothing that jogs my memory.
Q I wanted to ask you about one reference in this document, and I understand that you didn't



prepare it and this information may or may not have come from you, so I'm not suggesting that it did, but I want to ask the question in any event.
If you look at the bottom of page 1, which is DKSN 016117, carrying over to the top of page 2, it reads:
"According to what records are still available, similar contributions made by the McDougals were carried on the corporate books as loans. The Clintons were never repaid for their cash contributions to the corporation, but the McDougals loans were repaid by the corporation from time to time."
Do you have any knowledge as to what that refers to?
A No, sir, I really don't.
Like I say, I do not remember this. It could have been one of the drafts and I wouldn't sign it.
Q Were the drafts prepared with your input?
A Yes, they were.

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Q So you would speak with someone either in person --
A Um-hmmm.
Q -- on the telephone --
A Yes. I remember that one came back that wasn't similar to what I would say, or anything, and I wouldn't...
Q Do you recall telling anyone that the McDougals loans were repaid by the corporation from time to time?
A I don't recall saying that, sir.
Q And separate and apart from what this statement says, do you have any recollection sitting here today of payments by the corporation to the McDougals to repay them for loans they had made to the corporation?
A Well, yes, sir, because Mr. McDougal was putting, you know, as I stated in these others, he would put money in out of other accounts, and then pay them back, and things like that.
So if you're referring to that as a "loan" from him to the company and then being paid

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back, yes.
Q Well, really, sir, I don't know what this means and I'm asking you because you were there at the time and I'm not, and I don't want to suggest it means one thing or another. I am just trying to understand --
A Yes, sir. Well, Mr. McDougal would put money in various companies to, you know, if they ran short, from one to the other, and they were, you know, at times repaid back. So that could have been true on that, you know.
Q And so let me try to draw a distinction here to make sure that we're understanding one another.
What I believe you're describing is a situation where one corporation or business entity controlled by Mr. McDougal might have a need for funds, and he would transfer funds into that entity from another entity he controlled, and then at a later time repaid the first entity --
A Yes, sir. Or, personally. Either one.
Q And what I am trying to distinguish that

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from is a situation where Mr. McDougal may have made payments on behalf of the corporation -- and here we are talking about Whitewater -- for example, made an interest payment, and then later taken funds out of Whitewater to repay him.

Do you have any recollection?

A All I can say is, that's possible; but I don't recall any specific instances. And it could have happened.

Q Well let me ask you a very general question. Do you have any recollection of any instances in which Mr. McDougal took funds out of Whitewater other than to repay him or some other entity he controlled for an advance they had made to Whitewater?

And let me ask you if that question makes sense. I am trying to make it as straightforward as I can.

A You are asking if he took any money out of it, basically.

Q Basically, yes.

(Laughter.)

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BY MR. COLE: (Resuming)

Q I think that is a fair characterization.

A After these many years, I don't remember, sir.

Q Do you remember whether, when Mr. McDougal did what you described previously -- that is, moving money from one corporation into another and then moving it back -- if he had partners? Well, let's focus on Whitewater and make it simple.

When he did that for Whitewater, would he inform the Clintons of that?

A I can't answer that, because I don't know.

Q You can't say what Mr. McDougal --

A That's right. I'd be answering for him.

Q -- but you can tell me what you knew. Did you have any reason to know -- did he ever say, I have to tell the Clintons about this, or I need to run this past the Clintons, or I told the Clintons that we were doing this and they approved it? Anything to that effect?

A Not that I recall, sir.

Q Did he ever mention the Clintons with

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respect to Whitewater when he was taking action on behalf of the corporation, or telling you to take action on behalf of the corporation?

A I can't remember any specific incidents. I remember him mentioning their names every now and then, but I cannot remember a specific instance.

Q When you say "mentioning their names every now and then," do you mean mentioning them as in I know the Governor, or I saw the Governor, or mentioning them that he had had a discussion with them about Whitewater?

A (Pause.)

This has been so long ago. You know, I can just get bits and pieces. I want to recall about sometime he mentioned something about them when he was doing something, but I can't remember what it was about, or anything. And I don't remember whether it was on a loan, or what. I just don't remember. But I do remember him mentioning their name, but that's about it.

Q Do you remember over what time period that would have been?

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A No, sir, I don't.

Q And is that the only instance, sitting here today, you can recall when he mentioned the Clintons' name with respect to Whitewater?

A Well, as far as a specific instance regarding the corporation, that's the only specific instance I can remember.

Q Let me ask you another general question, then. Was it your impression that Mr. McDougal felt that he needed the approval or authorization of the Clintons to take action on behalf of Whitewater Development Corporation?

A I don't know how to answer that, really. It seems like I would be answering for Mr. McDougal if I answered it.

Q I'm asking for your impression based on your observations in your working with Mr. McDougal; either your taking action on behalf of the corporation at times, which I understand you were doing with the authorization of Mr. McDougal, he was your client?

A That's correct.

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Q And what I am asking you is based on your own observation, your own involvement at the time, whether it was your impression that Mr. McDougal felt he needed the approval or the authorization of the Clintons before he could act for Whitewater?
A On day-to-day operations, I'm going to say, no, sir, he didn't need their approval.
Q And you can't recall, sitting here today, any time in which Mr. McDougal went to the Clintons to get their approval before taking some action on behalf of Whitewater in terms of day-to-day operations?
A I can't recall a specific instance, no, sir.
Q Do you know whether Mr. McDougal obtained the approval or authorization of the Clintons before forming the corporation?
A I don't know that. Here again, you know, I would just be speculating. But I mean if they were in it...
Q Well, there are a couple of transactions that I would like to ask you about, but I am sure if

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I do Mr. Dinh will object that I am going beyond what he considers to be the scope of my follow-up questioning, but I will do this very briefly and if the answer is "no," then we can move on and hopefully there won't be a problem.

There are just two transactions I would like to ask if you recall whether the Clintons were consulted before they took place.

Do you recall in 1986 Whitewater Development Corporation put down a deposit to purchase some property from International Paper Corporation?

Do you have any recollection of that event?
A No, sir, I don't.
Q Do you have any knowledge of that whatsoever?
A No, sir.

I can expand a little further, I think, if ya'll want.
Q Please.
A I believe that is one question they asked

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me down there, that that land --
Q I'm sure they did.
(Laughter.)
A And that was after my time, really, as far as I knew because I wasn't aware of it.
Q So to the best of your recollecting sitting here today, that is not something you were aware of at the time it took place?
A No, sir.
Q And you do not have any knowledge?
A That's what I stated to them, also.
Q And the one other instance that I wanted to ask you about was an incident in which a model or a modular home was built or placed on one of the lots in Whitewater Development Corporation.
Do you have any recollection of that event?
A Yes, sir. And that might throw me back to the one that you just asked.
Q It refreshes your recollection?
A Yes.
Q I think it may be helpful --

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A I believe that they did discuss that with the Clintons on that.
Q And do you think that is the incident that you had in mind when you told me you had a vague recollection the Clintons were consulted on one occasion?
A No, sir, it's not. There's another one about, as I recall, something about one loan or something, or doing something, and I can't remember.
Q And when you say "one loan," do you mean a loan that had been made to the Clintons and the McDougals? Or a loan that a purchase of Whitewater property had taken out?
A No, sir. It was a loan for Whitewater. It seems like -- and here I can't quote any specifics, and I hope ya'll don't hold this against me, but seems like they had to do something on a note, or something.
But there was discussion -- now that you mention the house, there was some discussion with them about that, as I recall.
Q And what do you remember about that?

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A I just remember that land sales were slow, and they put it up there to try to show some development up there and get some people seeing it, you know.

MR. COLE: Well, I suspect the Majority will want to get into this in more detail and will show you documents, so out of deference to the Majority I won't question you further about that.

THE WITNESS: If it will show some deference, I hope it helps my memory.

MR. COLE: I would like to break for just a second to speak with Mr. Potter, and then I may be finished.

(Whereupon, a brief recess was taken.)

MR. COLE: Back on the record.

BY MR. COLE: (Resuming)

Q I just have one final area of questioning.

Mr. James, at the time that you had discussions with Mr. Blair and Ms. Lynch, and perhaps others during the Campaign, in connection with preparation of a statement that you ultimately released, did anyone try to force you to say

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something that you weren't willing to say?

A No, sir, they didn't try to force me to say anything that I was unwilling to say, but it wasn't in the words that I wanted. It was more in, excuse me, lawyer words, or whatever, which wasn't me.

Q So you felt you needed to work to get language that you were comfortable with --

A That's right.

Q -- to express yourself in words --

A That's right.

Q -- that you were comfortable with.

And were they willing and agreeable to doing that and working with you?

A Yes, sir, because I finally got it the way I felt comfortable with.

Q So you were allowed to revise the statement until you were comfortable and satisfied with it?

A That's correct.

Q And the final statement that was released was a statement --

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A Yes, sir.
Q -- that you were 100 percent satisfied with?
A Um-hmmm.
Q And is that true of both the statement that was released to the press and the one that was used for another purpose?
A Yes, sir. And I can't remember what the other one was for, really. But, yes, sir, I insisted on having them, you know, the way that I felt comfortable with.
Q And in each instance the final statement was one --
A Yes; um-hmmm.
Q -- that you were 100 percent comfortable with?
A And this might have been one that I wasn't comfortable with. I don't know. But --
MR. DINH: Let the record reflect that the "this" the witness was pointing to was DKSN 16117.
THE WITNESS: Yes.
BY MR. COLE: (Resuming)

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Q And you had earlier referred to meetings with Ms. Lynch. The meetings you were referring to would have been the discussions surrounding the preparation of these statements?
A Yes; yes.
Q And were those all face-to-face meetings? Or were some of those over the telephone, that you recall?
A (Pause.)
I don't recall. You know, there could have been some phone, but I don't recall.
Q And even though you knew who Mr. Blair was at the time he called you before you provided any information to the Campaign staff, you wanted an authorization from one of the Clintons --
A Yes.
Q -- and that's why you insisted on --
A Yes.
Q -- authorization from Mrs. Clinton.
I think we covered that.
I don't have anything further at this time.

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MR. DINH: Just one or two questions.

FURTHER EXAMINATION

BY MR. DINH: (Resuming)

Q Relating to the phone call that President Clinton put in to you while you were talking to your Aunt relating to the Whitewater records --

A Yes.

Q -- and your subsequent visit to the Rose Law Firm in order to drop off whatever files you had of Whitewater Development --

A Yes.

Q I know Mr. Cole asked you about the period of days, period of months, or within a year or two years, something like that, I just wanted to make sure I'm clear on the record. Was it in the same year?

A Oh, yes. Yes. Yes. I don't know if it was in the same month, but it was, you know, within a few months.

Q It was within one or two months either way?

A Yes.

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Q And what about the visit with Yoly Redden? Was that in the same approximate time period?

A Yes.

One thing I need to clarify. I didn't "visit." I went to her office.

Q I'm sorry. You went to her office --

A It was all related to that, so I'm assuming it was within the same time frame.

Q But it was related to the dropping off of the files?

A Yes, of the files.

Q And just one other question, one or two other questions regarding the statement you were asked to sign during the 1992 Campaign.

You identified as one of the things, probably the most significant thing you objected to, and rightly so, was the "lawyer language" of the statement. That's not the way you talk, and that's not the kind of statement you sign.

A That's right.

Q And you expressed clearly to them, I would not sign anything I am not comfortable with?

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A That's right.
Q Were there other substantive issues with respect to the statement, other than just the style of writing?
A It was just the style of the writing, the way they expressed it and the way I would express it.
Q Because I'm looking at one of the statements that seems to differ in a lot of ways in one of the statements DKSN 16117.
A Yes, sir, there's some differences but they all get back to the same thing. If you'll notice in the original one they're stated out, you know.
Q Like in paragraph one.
A Yes.
Q Like this one made specific references to The New York Times article, and the other one did not.
A Yes.
Q Was that one of the issues you raised with them?
A I can't answer that for sure 'yes' or

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'no.'
Q And let me just refer you to the handwritten note at the top of the document there, DKSN 16117. Let me ask you to read that, "Not approved as of 4:40, will be approved in similar form by 10:30 a.m. per Jim Blair."
Do you understand or have any recollection as to what they may refer to?
A No, sir.
Q Did Mr. Blair at some point call you up and say, I want you to sign a statement by 10:30 tomorrow, if possible?
A Not that I recall at all, sir.
MR. DINH: I have nothing further on Mr. Coles' questions.

FURTHER EXAMINATION

BY MR. COLE: (Resuming)
Q Just one additional follow-up question. I just wanted to be as clear as I can, Mr. James, because I think one of my questions may not have been clear to you earlier when I was asking you whether there were any "tax consequences" following from the

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incorporation of Whitewater Development, and you asked me what I meant by "tax consequences"?
A Um-hmmm.
Q What I meant by that would be when the property was placed in the corporation -- that is, the Whitewater land -- would that have had any capital gains effect for the persons who owned the property? Do you recall?
A I don't recall that it did. As best I remember, it went, you know, for the same price from one to the other and there was no gain or loss either way. As I recall it.
Q That's how you recall it today?
A Yes.
Q Do you recall that being something you thought about at the time, whether there would be any capital gains effect placed on the corporation?
A No, sir.
Q Did Mr. McDougal ever raise that issue?
A Not that I recall.
Q And if I understand your prior testimony, you didn't discuss this with anyone other than

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Mr. McDougal at the time it was done?
A No, sir. I don't remember discussing it with anyone.
Q And if you don't recall any capital gains effect, what about something called "imputed interest"?
Would there have been any imputed interest effect for putting the land in the corporation?
A Here again, I don't remember all the transactions back then, so I really can't answer your question.
Q And all I'm getting at is what you can recall today of what you understood at the time, or were concerned with at the time.
A No, sir, I don't -- I don't recall. That's the best I can answer you. I don't remember.
Q Do you recall whether when the land was placed in the corporation the debt stayed with the individuals? Do you remember that?
MR. JIAMPIETRO: We have got a whole line of questioning on this.
MR. DINH: Yes.

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MR. COLE: I just have two or three questions --

MR. DINH: No, no.

MR. COLE: You are going to instruct the witness not to answer the question?

MR. DINH: We are not going to replay this again. You can answer this question, and then I will ask Mr. Cole to respect the professional courtesy that has been extended.

MR. JIAMPIETRO: This is one of the most significant topics we are going to address in our deposition --

MR. COLE: There is nothing written in the resolution that says the Majority has the right to ask the questions first.

BY MR. COLE: (Resuming)

Q Mr. James --

MR. DINH: I am sorry, but I will read this over again. We have already read this into the record, page 14, Senate Resolution 120:

"Questions shall be propounded first by the Majority Staff of the Special Committee, and then

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by Minority Staff."

MR. COLE: And as I recall sitting here today, you went first for several hours, Mr. Dinh.

MR. DINH: And only out of professional courtesy, as you acknowledged, and also out of respect did we agree --

MR. COLE: No. I want to be clear about one thing on the record because this has nothing to do with professional courtesy.

There was very clear agreement between the Majority and the Minority when we began that one attorney for each side would speak for the record. That is just a matter of proper conduct of depositions.

What we are dealing with here is an exception to that rule which the Minority agreed to in order to accommodate the Majority where you are going to have two attorneys question a single witness.

So there is no professional courtesy involved here except on the part of the Minority accommodating the Majority's desire to deviate from

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procedures that have been agreed to and have two attorneys question the same witness.

Just so long as that is on the record.

MR. DINH: Just for the record, the Minority has questioned witnesses using two attorneys, so this is not an exception that is extraordinary or requires any exertion on the part of Minority.

Certainly, even in other depositions where there have been two attorneys, it has always proceeded with the Majority going first and then the Minority. But out of interests of efficiency on this one witness and for this particular deposition did we agree that the Minority shall have an opportunity to question the witness as to the matters that I covered in my portion of the testimony.

I would ask that unless you have questions that relate to other areas, that Mr. Jiampietro start his questioning now.

MR. COLE: I do not have any further questions, but I would like an answer to the question that is pending, if the Reporter could read it back.

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THE REPORTER: "Q Do you recall whether when the land was placed in the corporation the debt stayed with the individuals? Do you remember that?"

THE WITNESS: As I recall, the way it was set up I believe they were still responsible for the debt. That's the best of my recollection on it. And I don't even remember how, you know, things were set up or were put on the books or arranged back then at all, but --

MR. DINH: Mr. Jiampietro will try to refresh your recollection with whatever books or records or filings we have at that time.

Is that all, Mr. Cole?

MR. COLE: I don't have anything further at this time.

MR. DINH: I have nothing further on my issues.

MR. COLE: So we are clear for the record, from now on Mr. Jiampietro will be conducting the deposition for the Majority and we won't have both of you questioning the witness at the same time?

MR. DINH: I will not be questioning the

witness, but if he gives an answer that may be relevant to the areas I questioned on, I may --

MR. COLE: Then you can pass a note to Mr. Jiampietro or consult with him. But I will object if you have the witness simultaneously bombarded by questions from two attorneys. I would ask you to do what we always do in these, which are pass notes or whisper. One attorney for each side should be conducting the deposition.

MR. DINH: I want Mr. James to be as comfortable as possible.

THE WITNESS: I need someone to pass a note to.

(Laughter.)

EXAMINATION

BY MR. JIAMPIETRO:

Q Mr. James, once again for the record my name is Joe Jiampietro, and I am Majority Counsel to the Senate Banking Committee.

I am going to be asking you some questions that relate to specific documents. I understand that this occurred 18 years ago, so I am not going to try



to have you recall things out of your memory. A lot of the questions are going to be very specific to the documents.

I will show you the documents and then ask you some questions regarding those documents. I will go over the documents and see if you can recall some of the facts that relate to the documents.

I would like to just return to something you mentioned earlier, which was your activities with regard to Rolling Manor.

Can you just briefly refresh us on what you did for Rolling Manor, and when you started working for Rolling Manor?

MR. COLE: Before you answer that question, Mr. James, can you help me as to how that is within the scope of the Senate Resolution 120?

MR. JIAMPIETRO: I believe that this is an issue that leads to the precedents which led to the Whitewater investment. There were a number of transactions occurring between Mr. McDougal and Mr. Clinton with regard to Rolling Manor, and they may have formed a precedent with regard to the

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Whitewater investment.
I would just like to ask some questions regarding those transactions.
MR. COLE: But is there anything in Resolution 120 that says that we have authority to investigate the Rolling Manor?
MR. JIAMPIETRO: I believe that this is an activity which relates to the pre-incorporation activities and may have an impact on whether or not, on why the Clintons invested in Whitewater and the precedents for having activities with Mr. McDougal. It is all activities and investments relating to Whitewater, and I am trying to discover whether or not this was in any way related to Whitewater.
MR. COLE: Maybe you can just enlighten me as to things that I don't know. When you say "these are investments relating to Whitewater," how do these investments relate to Whitewater?
MR. JIAMPIETRO: Well that is what I am going to try to gather from the witness by asking him some questions on this issue.
MR. COLE: So you don't know whether or

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not these investments relate to Whitewater?
MR. JIAMPIETRO: That is one of the questions I am going to ask the witness.
MR. DINH: And establish the prior course or dealing --
MR. COLE: Excuse me. One attorney is conducting the deposition.
MR. DINH: I am not bombarding the witness, Lance. Off the record.
(Discussion off the record.)
MR. COLE: But my point is, practically anything in the world might relate to Whitewater. Anything that occurred prior to 1978 involving the Clintons or the McDougals might relate to Whitewater, but I think we have an obligation in this practice we have followed up to this point in these depositions that we need to articulate some basis for pursuing a line of inquiry that brings it within Senate Resolution 120, and that is what I am asking for.
MR. JIAMPIETRO: I believe I can easily establish that. Whitewater was a real estate investment between the Clintons and the McDougals.

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We are looking at the activities which may have led the McDougals and the Clintons to pursue the investment.

One of the activities that we believe we have found is a prior activity real estate investment between Mr. McDougal and Mr. Clinton, and we are trying to establish whether or not this was in any way precedent to the Whitewater investment; whether or not it was similar to the Whitewater investment; whether or not it was in any way preceded and was in any way related to the Whitewater investment.

MR. COLE: Well why don't we take it a question at a time and see whether Mr. James' responses bear out your theory?

MR. JIAMPIETRO: Can you please re-read the question that I asked the witness?

THE REPORTER: "I would like to just return to something you mentioned earlier, which was your activities with regard to Rolling Manor.

Can you just briefly refresh us on what you did for Rolling Manor, and when you started working for Rolling Manor?"

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MR. COLE: If I could make one request, having heard the question read back, before he begins to describe generally Rolling Manor and what he did or didn't do, can we ask him whether he knows whether or not the Clintons had any involvement in Rolling Manor?

MR. JIAMPIETRO: I would prefer to go about my course of questioning the way I was going to do it, which was to show him the document and see if it refreshes his memory.

THE WITNESS: Are you ready for me?

(Laughter.)

THE WITNESS: I don't recall the Clintons having anything to do with Senator Fulbright and Jim McDougal.

BY MR. JIAMPIETRO: (Resuming)

Q Sir, why don't we go back and just, if you can, just let us know what you did for Rolling Manor and when you started working --

MR. COLE: I am going to object to that. If you have a document that you want to put in the record that shows the Clintons had an investment in

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Rolling Manor, that would change my position. But if Mr. James' recollection is that the Clintons didn't have any involvement in an investment between the McDougals and Senator Fulbright, that would not be within our Resolution and I would instruct him not to answer questions regarding that investment.

BY MR. JIAMPIETRO: (Resuming)

Q I would like you to refer to document Bates No. LP 01547.

(Document shown to the witness.)

This is a Purchasers Agreement entered into between Rolling Manor and William Clinton for Tract No. 74 of Sal-T-Ohi Estates.

MR. COLE: I would like to note something for the record here. In my view, Mr. Jiampietro, you have mischaracterized in your questions to Mr. James what I understand to be the Clintons involvement in this, because the Clintons being involved in the Rolling Manor Development in the same way they were in the Whitewater Development would imply that they were one of the developers and owned the development.

What this document indicates is consistent

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with my understanding that Mr. Clinton may have purchased a piece of property in Rolling Manor, which I think has been widely reported before. That is a very different thing than having the relationship he had with Mr. McDougal in the Whitewater Development.

So if your line of questioning is somehow to establish that Mr. McDougal was doing the same thing in Whitewater that he was doing in Rolling Manor, I don't think there is any evidence in our record to indicate that Mr. Clinton had the same involvement in Rolling Manor that he had in Whitewater.

MR. JIAMPIETRO: Well, I believe that these documents in our line of questioning will go to whether or not there was a prior course of dealings and a relationship or a motivation for the later investment in Whitewater.

It doesn't necessarily show that there is any prior relationship, but it may show that there was a prior course of dealing and we would like to ask some questions about this to see what in fact happened on this transaction and how it was

structured.
MR. COLE: Well I won't object to questions about Mr. Clinton's involvement because I think that that is a reasonable position for you to take.
I think a detailed examination of the Rolling Manor Development and the agreements between, or arrangements between Mr. McDougal and Senator Fulbright would clearly be outside the scope of our Resolution.
So that is where I intend to draw the line and would instruct the witness accordingly.
MR. JIAMPIETRO: I agree.
MR. COLE: So, please proceed.
MR. DINH: Off the record.
(Discussion off the record.)
MR. JIAMPIETRO: On the record.
BY MR. JIAMPIETRO: (Resuming)
Q Once again returning to Document Bates No. LP 01547, this is a copy of a Purchasers Agreement between William Clinton and Rolling Manor, Inc., for Tract No. 74, where the buyer agrees to pay the



seller $11,400 for a piece of property.
There is an installment note listed on the bottom of the paper for $11,000 dated January 25th, 1977. The document is signed by Susan Henley McDougal and James B. McDougal.
Have you ever seen this document before, Mr. James?
A Well, here again that's kind of a leading question because I probably have. I don't recall it, I mean, because I was doing the work within this time frame, but I don't recall Mr. Clinton buying a lot up there. But it appears that he did.
Q Let me ask you another question.
In your work for Rolling Manor, you would receive checks from people who were paying Rolling Manor for property? Or you would record the checks?
A Well, yes, sir. Now when I first started going it, I wasn't doing that. But later on -- and I can't remember what year, month, or anything like that, I did start doing that for them.
But initially I did not.
Q At the time of this agreement which is

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dated January 25th, 1977, how long had you been working for Rolling Manor, approximately?

A It's like I said. I went in business in January of '76, and as I recall I didn't start doing work for McDougal until spring or summer of that year.

Q You would have been working for Rolling Manor, or doing work related to that, at that time?

A Yes. But whether I was collecting checks on their installment notes, I can't say that I was. I just don't remember.

Q Let me show you another document Bates Numbered LP 01544, which is on Rolling Manor, Inc., letterhead, correspondence from James B. McDougal to Bill Clinton dated February 4th, 1977.

It states:

"Dear Bill:

"Between now and April 1st, please mail us your downpayment of $400, if you have it to spare. Beginning in April, mail a check payable to Rolling Manor, Inc, in the amount of $155.51 to our bank in one

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of the enclosed envelopes.

Sincerely,

James B. McDougal"

And it is signed "Jim."

Do you recall ever seeing any checks sent to Rolling Manor by Bill Clinton?

A I don't recall any; no, sir. I mean, you know, that's like asking --

MR. COLE: We're up to 20 years, now. I've been waiting to when we could say 20 years.

THE WITNESS: That's asking for one check in all of them. So, no, sir, I can't say for sure that I ever saw it.

And if I did, I'm sure you could go back to a bank record and it was deposited, you know. But we don't have that information.

(Document shown to the witness.)

BY MR. JIAMPIETRO: (Resuming)

Q I would like to show you another document Bates Numbered LP 01601, LP 01610, LP 00672. This is Schedule D from the Clintons 1978 personal income tax returns.

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I would like to specifically refer you to LP 00672.

A Okay.

Q Which is a schedule of installment gain on sale attached to the Clintons 1978 personal income tax return.

A Okay.

Q It shows that a sale of 15 acres of unimproved land occurred on July 23rd, 1978. The land had been purchased on January 25th, 1977.

The gross sale price for the sale was $14,985. Profit on the sale was $6,435.

Do you recall in any way whether or not Bill Clinton transacted with Rolling Manor to sell a lot on July 23rd, 1978?

A No, sir, I wouldn't know. I couldn't recall that if my life depended on it today, and it might.

Q Just to sum up, you are unfamiliar with whether or not you received any checks from Governor Clinton in performing your accounting duties for Rolling Manor?

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A That's correct, sir. I do not remember, at all. And here again you're saying "if I received any checks." At that time, I might not of even been receiving them. I might of just -- they might of been deposited somewhere else and I was just working off of check stubs and bank deposits at that time.

Because, as I stated, there was just a period in there that I was taking care of posting receivables and things for them.

MR. COLE: Could I just note for the record -- I am sure you noted this, Mr. Jiampietro, that the letter from Mr. McDougal to Mr. Clinton indicated the check should be sent to the bank in apparently enclosed envelopes?

THE WITNESS: Yes.

MR. COLE: "Beginning in April, mail a check payable to Rolling Manor," to our bank. So he would not have seen any of those checks, presumably, if they were mailed to the bank.

Is that correct?

THE WITNESS: Yes, sir. There for awhile all I was getting was a carbon copy of a bank where

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they recorded something.
BY MR. JIAMPIETRO: (Resuming)
Q Well let me ask you a follow-up question. In preparing the books for Rolling Manor, you never saw any entries or receivables for William Clinton in the books for Rolling Manor?
A You're asking me if I -- here again, I can't say that I did or didn't because I don't remember, sir. But I wouldn't want to put a specific answer on that because that has been too long ago. I can't remember.
Q I would like to ask you about any activities performed by yourself on behalf of James McDougal or Whitewater or William or Hillary Clinton in 1978 prior to the incorporation of Whitewater Development Corporation relating to the purchase of approximately 220 acres by the Clintons and McDougals from 101 River, Inc.
MR. COLE: Is that 101 River Development Corporation, Inc.?
BY MR. JIAMPIETRO: (Resuming)
Q 101 River Development Corporation, Inc.

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Were you involved in any way in arranging the financing of this transaction?
A No, sir.
Q Do you have any knowledge of the financial arrangements, including the choice of banks, the negotiation, the terms of the agreement?
A I had nothing to do with that, sir.
Q Let's move on to the decision to incorporate.
I would like to show you a document Bates Stamped DKRT 900619 through 900622. These are the Articles of Incorporation of Whitewater Development Company.
(Handing document to the witness.)
A Yes, sir.
Q They show the Seal of the State of Arkansas.
Note that the Articles were filed on June 18th, 1979.
As we discussed earlier, these Articles of Incorporation on page DKRT 900621 lists you as the incorporator.

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Just below that, paragraph 8 states:
"The number of directors constituting the initial Board of Directors shall be one. At the meeting of the Shareholders next following the time when the number of Shareholders of record shall be more than one, additional directors shall be elected so that the total number of directors shall be equal to the number of shareholders of record, but not to exceed five unless the corporate by-laws specifically so provide."
Do you recall who the directors of the Whitewater Corporation were upon incorporation? Or at any time after incorporation?
A No, sir.
I'm still at a loss as to why I'm the only one on here, because that's not the way it was set up.
Q Okay. I'd like to turn to the shareholders of Whitewater Development Incorporated -- Whitewater Development Corporation.

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I'd like to refer you to DKRT 900845, which is the Corporation Franchise Tax Report for January 1st, 1980, Whitewater Development Company, Inc.
(Document shown to the witness.)
A Um-hmmm.
Q Did you prepare this document?
A Well, here again I'm assuming I did because I did the corporate franchise tax reports for each of their companies.
MR. COLE: "Their" being the McDougals?
THE WITNESS: Yes, for each of the McDougals' companies.
BY MR. JIAMPIETRO: (Resuming)
Q And you would have started doing that when?
A When I started doing their work for them; you know, doing their tax returns.
Q That would have been upon incorporation in June of '79?
A Right.
Q I want to point out a couple of points on

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this to see if it refreshes your memory as to the officers and shares of the corporation.

The line 4(d) requests the names and addresses of agents and officers.

A Um-hmmm.

Q It lists Charles E. James as president; Susan McDougal as vice president; and Susan McDougal as secretary.

A Um-hmmm.

Q Were those the officers of Whitewater at this time?

A Yes, sir; as I recall it, it was.

Q These documents, if you would refer to DKRT 900841, which is the Corporate Franchise Tax Report for 1981 for Whitewater Development Company, Inc., DKRT 700608, which is the Tax Report for January 1982; DKRT 700606, Corporation Franchise Tax Report for 1983, as of January 1st, 1983; DKRT 700605, which is the Corporation Franchise Tax Report as of January 1st, 1984; and DKRT 600105, the Corporation Franchise Tax Report as of January 1st, 1985; DKRT 101061, which is the Corporation Franchise

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Tax Report as of January 1st, 1986.

Each of these documents lists as the president Charles James, as the president?

A Yes, sir.

Q Were you president for that period of time?

A (Pause.)

Here again, I would have to assume I was. I put my name down here. I know I didn't own the stock in it, but I could have been president. That was just a title only, really, but...

Q I'd like to refer you to line 5 of DKRT 900845, "Total Authorized Capital Stock." Actually, I believe the figures are clearer on DKRT 900841, line 9.

A Okay.

Q It shows the total number of shares outstanding as 300.

A Okay.

Q Look at line C.

A Yes. I see where you're talking about.

Q Under, actually, Item 10, Issued and

outstanding capital stock.
A Um-hmmm.
Q There is a notation "NPV equals $25."
Could you explain that notation? And also there's a notation that the total value of the stock is $7500.
Does this refresh your memory as to how many shares of stock were outstanding or issued by Whitewater?
A Well there were 300 shares issued. And for this report, it is just showing no part value to figure the corporate franchise tax. They figure at $25.
Q Would that have been the amount paid by the shareholders for the stock?
A As I recall, it was not.
MR. COLE: I'm sorry, Mr. James, just to be sure I am following you, where it says "NPV equals $25," your recollection is that in the case of a corporation where the stock does not have a stated par value that the franchise tax was $25?
THE WITNESS: It figures at $25 a share.



MR. COLE: So $25 a share times 300 equals $7500?
THE WITNESS: Yes.
MR. COLE: And you prepared this form on that basis?
THE WITNESS: Yes, sir.
MR. COLE: Thank you.
MR. COLE: Can we go off the record a minute?
MR. JIAMPIETRO: Sure.
(Discussion off the record.)
MR. JIAMPIETRO: On the record.
BY MR. JIAMPIETRO: (Resuming)
Q I would like to give you a copy of DKRT 900111. And also DKRT 900112.
(Documents shown to the witness.)
This is a copy of a Share Certificate. It states: Certificate No. 1 for 150 shares issued to Hillary Rodham dated June 18th, 1979.
DKRT 900112 is a copy of the share, I believe.
Is that a correct description of this

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document? How would you describe this document?
A Yes, sir. I would call that a stock certificate.
Q A Stock Certificate for Whitewater Development Company, Inc.?
A That's what it states, yes.
Q It certifies that Hillary Rodham is the owner of 150 shares of the capital stock, dated the 18th day of June 1979.
A Um-hmmm.
Q On this document, the president, on the line for the president's signature, James McDougal has signed the certificate, and the secretary, Susan McDougal, has signed the certificate.
I would like to ask you a number of questions relating to these documents.
Does this refresh your memory as to how many shares were issued to Hillary Clinton?
A Well --
Q Hillary Rodham --
A -- yeah, that would really refresh at 150, but the total amount that refreshed me was the

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corporate franchise tax, 300.
Q Did you ever see these documents before?
A I had seen mine at one time.
Q Do you remember, after seeing this document, what your document stated in terms of your total shares issued to you?
A No, sir.
I really don't. It seems like --
Q Having seen the certificate and the Corporate Franchise Tax Returns, would you say that it is clear that Hillary Rodham owned 150 shares of the 300 shares outstanding --
A Yes, sir.
Q -- to Whitewater Development Corporation?
A (Nods in the affirmative.)
Q It doesn't refresh your memory as to how many shares you may have owned as of the date of incorporation or thereafter, or how many shares may have been owned by the McDougals on the date of incorporation or thereafter?
A Umm...
(Pause.)

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Q If it doesn't, I have a document which I think may.
A I hope it will.
(Document shown to the witness.)
Q I would like to refer you to Document DKRT 900618. I am going to refer to this document now, and I am also going to refer to it later in asking you some questions.
A All right.
Q Initially I just want to ask you about the listing of shares.
This document is Form 2553, An Election By A Small Business Corporation As To Taxable Status Under Subchapter S of the Internal Revenue Code.
On the line, "Name of the Corporation" is "Whitewater Development Company, Inc."
Section (e) asks for the name of each shareholder.
(f) requires shareholder's statement of consent.
Section (g) lists the stock owned and the dates acquired.

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The names and addresses of each shareholder are listed as Hillary Rodham. The signature of Hillary Rodham appears next to that listing as owning 500 shares acquired on June 18th, 1979.
Line 2 lists Susan McDougal. The signature of Susan McDougal appears next to her name. Number of shares owned, 250. Date acquired, June 18th, 1979.
The third shareholder is listed as Charles James.
Is that your signature next to the listing?
A Yes, it is.
Q Number of shares owned, 250. Date acquired 6/18/79.
Did you prepare this document?
MR. COLE: If I could, Mr. Jiampietro, I would just like to show the witness another copy that appears to be an identical copy of the same document, but it doesn't have the large "Confidential" stamp that obscures the document. It might make it easier

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for him to read it, if you're going to ask -- particularly since his signature is covered on the copy you gave him. The one I have is numbered DKSN 014516. It appears to be a much clearer and easier-to-read copy.

(Document shown to the witness.)

THE WITNESS: Here again, I assume I prepared this; yes, sir. I, you know, that's my signature on it. Let me put it that way. I don't deny that.

BY MR. JIAMPIETRO: (Resuming)

Q Could you -- at this point in time, I would just like to ask you specifically regarding the stock ownership listed.

Referring back to the stock certificate you just reviewed in the Corporate Franchise Tax Reports, and now reviewing this document, does this correctly list the number of shares issued?

A No, sir.

There is some discrepancy here, and I can't answer it. Now whether this was supposed to have been 50 percent, and then 25 and 25, is the only

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way I can answer that. And that would be speculation on my part.

But that's the only way I can answer for the difference because the Corporate Franchise Tax Reports show 300 shares.

Q Does this document accurately reflect the percentage of share ownership as of the date of the document?

A Well I'm assuming it does, sir, because with the 300 shares it would reflect that Hillary Rodham Clinton -- I didn't recall that I had 25 percent when it was done, but I must have. I don't deny that; I just didn't remember it.

Q I'm just trying to show you documents to establish some of this for the record.

A Yes. Um-hmmm.

Q I would like to show you a document DKRT 900617. It is a Restriction on Transfer of Stock dated October 1st, 1986. The document is mostly illegible, but it states -- it lists James B. McDougal and Susan H. McDougal -- and states, 150.

(Document shown to the witness.)

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Do you recall this document?
A No, sir, I do not.
Q At the top of the page, the document states, "The security represented by this certificate has been offered and issued pursuant to an exemption from registration under the Securities Act of 1933 and the Arkansas Securities Act in reliance upon the representation of the holder hereof that the security is acquired for investment purposes. Accordingly, this stock may not be resold, pledged, hypothecated, or otherwise transferred or conveyed in the absence of registration pursuant to the aforesaid securities laws or unless an opinion of counsel satisfactory to the issuer is first obtained that such is not then necessary."
A You'd have to tell me what that means.
(Laughter.)
Q I'm just trying to establish --
MR. COLE: I could, but I won't.
BY MR. JIAMPIETRO: (Resuming)
Q -- that this is a listing of stock, and that it lists 150 shares --

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MR. COLE: I didn't mean to be flip when I said I could but I won't, Mr. James. What this means from a legal perspective simply is that this is not a registered security, and it is a restricted security and it can't be sold freely on the open market in the same way that stock that has been registered with the Securities and Exchange Commission can be traded.
BY MR. JIAMPIETRO: (Resuming)
Q You're not familiar with this document, and you cannot state whether or not it is related to Whitewater?
A You know -- well, there's nothing legible on it --
Q Other than the names of James and Susan McDougal --
A That's right.
Q -- and the 150.
A So, no, sir, I can't say.
Q It would suggest, though, that as of October 1st, 1986, James and Susan McDougal may have owned 150 shares of Whitewater?
MR. COLE: I would take strong exception

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to that. I mean, that may well be the case, but I think the witness said it could be any corporation. There is nothing here to indicate it is Whitewater.

THE WITNESS: That is what I was going to say. It doesn't, to me, indicate that.

BY MR. JIAMPIETRO: (Resuming)

Q That's fine. We'll go on.

(Discussion off the record.)

BY MR. JIAMPIETRO: (Resuming)

Q I would like to refer you to Document No. RIC 003635 and RIC 003636.

(Document shown to the witness.)

A Okay.

Q Which is a letter dated April 15th, 1991, addressed to Chris and Rosalee Wade, Charles James, Jim McDougal, and Susan McDougal, regarding the Whitewater Development Company, Inc.

I would like to refer you at this time to the top of the second page, and I will read the first sentence:

"Based on the records available to me, Susan, Charles, and I are the only

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registered shareholders of the company."

The letter is not signed by -- the letter lists Hillary Rodham Clinton as the sender, but it is not signed.

MR. COLE: Since Mr. James is one of the persons to whom the letter is addressed, do you have any reason to believe the letter actually was sent to him, just to help him in evaluating this?

MR. JIAMPIETRO: I have no knowledge.

BY MR. JIAMPIETRO: (Resuming)

Q In fact, I would like to ask you whether or not you received this document.

A This is the first I've ever seen it.

Q On April 15th, 1991, which is a relatively recent date in this matter --

A Yes.

Q -- did you own any shares of stock of Whitewater Development Company, Inc.?

A No, sir.

And just for the record, the best I remember, when McDougal moved to Kingston I no longer owned any shares around that time, or in the early part of Whitewater.

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MR. COLE: And I believe that you testified earlier that he paid you when you gave the shares back to him --

THE WITNESS: That's true.

MR. COLE: -- that he gave you your money back?

THE WITNESS: That's correct.

MR. COLE: And you think that occurred about the time he moved to Kingston?

THE WITNESS: It was around that time because he moved to North Arkansas up there. Now that's the best of my recollection because it was somewhere in that time frame.

MR. COLE: Well we can establish the date from other sources that Mr. McDougal went to Kingston, but what I'm interested in is your recollection is that it was at that time that you ceased to be a shareholder in Whitewater Development Company?

THE WITNESS: That's my recollection; yes, sir.

BY MR. JIAMPIETRO: (Resuming)

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Q Were you involved in the decisions establishing the by-laws, directors, and officers of Whitewater?

A Not the by-laws, no, sir.

Q Were any minutes maintained of initial meetings or subsequent corporate meetings?

Was a -- or was a corporate minute book --

MR. DINH: Let him answer the previous question, first.

THE WITNESS: Well the first question was, was I involved in it?

BY MR. JIAMPIETRO: (Resuming)

Q Let me repeat the question.

Were any minutes maintained of initial meetings or subsequent corporate meetings?

A If they were, they were by the attorney, not by me. And I, you know...

(Pause.)

MR. COLE: Did Mr. McDougal maintain minutes for any of the corporations that you administered for him?

THE WITNESS: Here again, if he did that

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would have been between him and his attorney. I wouldn't have had any...

MR. COLE: And you understand the distinction between corporate minutes -- that is, minutes of a meeting of the board of directors and the articles of incorporation, or other --

THE WITNESS: Right. Yes.

MR. COLE: Yes?

THE WITNESS: Yes.

BY MR. JIAMPIETRO: (Resuming)

Q Who was authorized to sign checks on behalf of Whitewater?

A Well, I was. Jim and Susan's the only three I know of.

Q Let me show you a document Bates Numbered DKRT --

A That depends on what time period you're talking about, also.

Q Okay.

During the time when you were employed by Whitewater, who was authorized to sign checks on behalf of --

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A Well, here again, I was not "employed" as an employee.

Q During the time that you performed accounting services --

A Yeah. Okay.

Q -- who was authorized to sign checks?

A Those are the only three that I know of, sir. And I'm not sure whether Jim McDougal was or not. I know Susan was. And here it would be an assumption on my part to say that Jim was.

Q Let me give you several documents to refresh your memory on this point.

(Document shown to the witness.)

This is document Bates Numbered DKRT 901049. This is a check by Whitewater Development Company, Inc., dated May 5th, 1980. It states, "Pay to the Order of Citizens Bank & Trust the amount of $4352.63."

It has your signature.

A Yes.

Q You were authorized to --

A Yes, I was.

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Q -- sign checks on behalf of Whitewater?
A Yes, sir.
Q I'd like to give you a document with Bates Stamp DKRT 500917.
(Document shown to the witness.)
Is this a Whitewater check?
A (Pause.)
Q For the record, the check states "Whitewater Development" in the upper -- "Whitewater Development Corporation".
It states "Pay to the order of Security Bank" --
A All I can say, sir, you know, you asked me if this was a Whitewater check?
I don't know. The "White Water" at the top is different from the other one. As I recall, "Whitewater" was one word.
Q But this shows the signature of James B. McDougal?
A That's correct.
MR. COLE: One check is from 1980 and one check is from 1984.

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MR. JIAMPIETRO: Yes. This check is dated October 4th, 1984.
MR. COLE: And one is on one bank, and one is on another bank.
The 1980 check is on Union National Bank in Little Rock; and the 1984 check is on Madison Guaranty Savings & Loan.
BY MR. JIAMPIETRO: (Resuming)
Q To the best of your knowledge, James McDougal had the authority to sign checks?
A As I recall he did, sir.
When I was actually, you know, really involved in it. This would have been after a time that I was not involved, I just did stuff. They'd bring it to me at the end of the year in a box and I'd have to sort through everything and do everything.
We've got a saying in Arkansas, "on a silver-lined cigar box," you know, and you've got to sort through it.
MR. COLE: And the "they" there would be -- when you said "they" would bring it to you at the end

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of the year.
THE WITNESS: After they moved to Kingston.
MR. COLE: "They" being?
THE WITNESS: After the McDougals moved to Kingston.
MR. COLE: The "they" being the McDougals would bring you these records?
THE WITNESS: Yes.
BY MR. JIAMPIETRO: (Resuming)
Q Just refer, for the sake of completeness, to DKRT 801368, which shows a copy of two checks which state at the top Whitewater Development Company, Inc.
(Documents shown to the witness.)
A Um-hmmm.
Q On the Bank of Kingston, Kingston, Arkansas. These checks show the signature of Susan A. McDougal?
A Susan "H".
Q Susan H. McDougal.
To the best of your knowledge, did Susan

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McDougal have any authority to sign checks on behalf of Whitewater?
A In the time that I was involved with it, yes, sir.
MR. COLE: Can we go off the record for one second?
MR. JIAMPIETRO: Sure.
(Discussion off the record.)
MR. JIAMPIETRO: Back on the record.
BY MR. JIAMPIETRO: (Resuming)
Q Finally I would like to refer to DKRT 500067.
This is a Whitewater Development Company check on an account at the Bank of Kingston signed by Blenda Howard.
Do you know who Blenda Howard is?
A I don't recall her; no, sir. It would be speculation on my part to say who she was.
Q For the record, the check is dated February 22nd, 1982. You were performing accounting services for Whitewater at that time?
Were you performing accounting services

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for Whitewater at that time?
A Yes, sir. But as I stated, I was not doing them on, you know, a daily, weekly, or however, basis. I was doing them once a year. And I want to get that clear that I wasn't doing it on a daily basis.
MR. COLE: I am confused about one thing as it relates to what you just said because at various times today you have indicated that you prepared tax returns for Whitewater, and you also performed other services for Whitewater beyond tax services.
And I had asked you, and I think Mr. Dinh may have asked you, when you performed those services and it was difficult for you to remember.
Now I'm wondering, seeing these checks coming out of the Bank of Kingston signed by the McDougals and this person, if you stopped doing anything for Whitewater other than preparing tax returns after Mr. McDougal moved to Kingston?
THE WITNESS: Yes, sir. That's what I

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stated earlier; when they moved to Kingston.
MR. COLE: That's when you stopped doing anything except --
THE WITNESS: Yes, because they took everything up there.
MR. COLE: I'm sorry. I wasn't clear on that. I understand that.
THE WITNESS: Yes.
BY MR. JIAMPIETRO: (Resuming)
Q I would like to move on now and show you Document No. DKRT 900618.
(Document shown to the witness.)
I am going to ask you a number of questions related --
A Is this the same one as before?
Q This is the same Form 2553 that I showed you previously --
A Yes.
Q -- Bates Stamped DKRT 900618.
Was this document ever filed?
I'd like to note, and it may refresh your memory that there is what appears to be a stamp in

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capital letters at the top of the page that states "accepted."

And in the middle of the page there appears to be a stamp that states "September" the date is illegible, "1979."

A Yes, sir.

I'm assuming it was; yes, sir. But that would be an assumption on my part, and I'm just going by the "accepted," you know.

Q Now you stated previously that your signature was at the bottom of the page.

A Yes, sir.

Q I would just like to ask you, were there any discussions involved in the preparation of this document?

A I'm sure there were, sir, but I can't recall any specific ones.

MR. COLE: I'm sorry? When you say you're "sure there were," are you testifying that it was your practice when preparing this kind of form that you would discuss it with the McDougals and/or the Clintons?

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THE WITNESS: I'm sure I discussed this with Mr. McDougal.

MR. COLE: Because we have a number of these forms that were filed over the years in our records, and it appears that this is not the only one that you prepared.

THE WITNESS: For Whitewater?

MR. JIAMPIETRO: Yes, I think so.

THE WITNESS: There's different ones?

MR. JIAMPIETRO: I believe in our review that I found several documents, but only one is stamped "accepted."

There's another document that I believe shows the same date, which may have been a draft of some kind.

BY MR. JIAMPIETRO: (Resuming)

Q I would like to return momentarily to the previous line of questions that I asked you regarding authority to sign checks.

For the record, did Bill Clinton have the authority to sign checks on behalf of Whitewater Development Company?

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A As I recall, he was not on the signature.
Q Did Hillary Clinton have the authority to sign checks?
A As I recall, she was not.
Q In your work for other McDougal-related entities, were any of those entities -- did any of those entities elect Subchapter S status?
A (Pause.)
Sir, I believe there was. Pembrook Manor, was it not a Subchapter S? I don't recall.
Q Why would one of the corporations have elected Subchapter S?
A It's an election, you know. I can't answer your question right now as to why it was done.
Q Generally in your work as an accountant, did you ever advise corporations to elect Subchapter S status?
A Well most of them were advised to by their attorneys, other than me.
Q Why generally would a corporation choose Subchapter S?
A Well, there's a lot of different

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reasons.
I mean, you know, one is you're taxed individually instead of the corporation being taxed. Whereas, if you pay tax on the corporation and if you draw something out, you're taxed again, and this just flows through.
Q If there are significant losses in a corporation that is Subchapter S, are those losses passed through to the shareholders?
A They flow through; Um-hmmm.
Q Was there any discussion between yourself and any of the parties involved in Whitewater as to the benefits of using Subchapter S as a tax shelter?
A Not that I recall; no, sir.
Q I'd like to show you a document DKRT 900812.
(Document shown to the witness.)
This is a handwritten note dated September 10th, 1981. It's a short note. I'll read it for the record:
"Dear Sirs:

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"We did not file a Form 1120S for Whitewater Development Company, Inc., for the initial return May 31st, 1980, because of the IRS Rules concerning passive income prohibited from being a Subchapter S Corporation."

It appears to be signed in the lower right-hand corner by McDougal is the only name that appears legibly.

Do you recall seeing this document?

For the record, the document is dated September 10th, 1981.

A Now that I look at it, I do vaguely remember something about it.

Q Can you explain this note to us?

A Not at this point I can't, sir.

Q What do you remember regarding this document, or the subject matter stated in the document?

A Well, it appears that I'm trying to say that we didn't file an 1120S because the IRS wouldn't allow us to for this corporation.

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EVENING SESSION

(6:00 p.m.)

BY MR. JIAMPIETRO: (Resuming)

Q Let's go into that in a little more detail.

It states that the IRS Rules concerning passive income prohibited us from being a Subchapter S Corporation.

Can you explain what that reference is to?

A Not at this time I can't, sir. It's been too long.

MR. COLE: Is that your handwriting, Mr. James?

THE WITNESS: Yes, it is.

MR. COLE: Do you believe this is your -- is your signature down there? Like Mr. Jiampietro, I can read what appears to be "James McDougal" but I can't read what's below that.

THE WITNESS: This looks like this was just a -- by that being crossed out there, this was something that would have been typed later.

MR. COLE: This may have been a draft?

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THE WITNESS: Yes. It's what it appears to me.

BY MR. JIAMPIETRO: (Resuming)

Q I was just trying to understand whether or not a decision was made to revoke the Sub-S election in the decisions and conversations relating to that decision?

A I've been away from taxes so long I can't really answer you, but it appears here that back then that for some reason the IRS would not let Whitewater be a Subchapter S.

But I've been away from this stuff too long.

Q I'm going to move on to another --

A I would like to ask a question. You all have the corporate returns. Were they filed as a Sub-S, or as a 1120?

Q The corporate returns are filed 1120.

A Okay.

Q I was just trying to find out when that decision was made, and how the decision was made, and how the decision to revoke the Subchapter S --

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A Well, it looks like here it wasn't a decision on anybody's part except the IRS. And I'm just basing that on what this says.

Q I'd like to show you a series of documents. The first is DKRT 800938.

(Document shown to the witness.)

It is a Warranty Deed that reflects -- and I will summarize here -- the transfer of the Whitewater land from James B. McDougal and Bill Clinton and Susan McDougal and Hillary Rodham, to Whitewater Development Company, Inc.

It is dated the 30th day of September, 1979. Please take a moment to review it.

A (Pause.)

MR. COLE: They're going to ask you to calculate the value based on the stamps --

BY MR. JIAMPIETRO: (Resuming)

Q How was the transfer of the real estate noted in the deed to the corporation structure? Was it a sale? Was it a Section 351 transfer under the Internal Revenue Code?

Were you involved in structuring that?

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A I was not involved in that. As I recall, I wasn't. On the sale of the land to the corporation --

Q Do you recall seeing this document?

A I may have, sir, but I can't say 'yes' or 'no.'

MR. COLE: So I take it, Mr. James, when you just responded and said you were not involved in the sale of the land to the corporation, by using the term "sale" there you weren't meaning to imply that one form of transfer was used rather than another?

Because Mr. Jiampietro asked you a three- or four-part question with several alternative means of transferring the property, and I don't think you were intending to adopt one of those in your answer?

THE WITNESS: No, that's just a word I use, you know.

MR. COLE: I think in this context it may have become a term of art.

THE WITNESS: To be properly put, it should be, put the transfer of the title to the --

MR. COLE: That's what I was getting at.

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THE WITNESS: I don't know.

MR. COLE: I'd like to go off the record for a moment.

(Discussion off the record.)

MR. JIAMPIETRO: On the record.

BY MR. JIAMPIETRO: (Resuming)

Q I would like to take some time with these documents because I believe this is a very important issue, and I believe that a lot of questions have been raised regarding this transaction and the transfer of land.

So I would like to take a little bit of time to show you these documents to see if you remember any of them.

A That's fine. I've stated that I want to help in any way I can to the best of my memory. I want to help.

Q The document Bates Stamped DKRT 800938 states that the transfer of the land, and I'll quote, "subject to a certain mortgage dated August 2nd, 1978."

A Now where are you reading that, sir?

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Q That's halfway down the page.
A Okay. Right here. Okay.
Q Based on your experience in business and in the accounting profession, what would that mean with regard to the transfer of this land? That the land was transferred subject to a certain mortgage?
A Well, subject to the mortgage being taken care of, or being --
Q Let me show you a copy of the mortgage --
Let me follow up with what you just stated first. What do you mean "subject to the mortgage being taken care of"?
A Well, you know, and this is just from my humble, what I would think, is either the bank would have to okay it, or the transfer before it could be done. I'm not a legal person, so I really --
MR. COLE: So we are clear here, and you have no -- you testified you didn't have any involvement in this particular transfer, so whatever testimony you are giving is entirely speculative or is hypothetical; it's not -- you're not describing what actually happened?

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THE WITNESS: No.
BY MR. JIAMPIETRO: (Resuming)
Q "Subject to the mortgage," to the best of your knowledge, doesn't mean "assume the mortgage"?
A Not to me, it wouldn't. I mean, you know, there you could put words in my mouth -- who knows what it meant here, other than who wrote it.
MR. COLE: And that was not you, I take it?
THE WITNESS: No.
MR. DINH: I would say something about the sanctity of the contract here, but that would be going far afield.
(Document shown to the witness.)
BY MR. JIAMPIETRO: (Resuming)
Q Let me show you a document Bates Stamped DKRT 800170.
A Okay.
Q Since this was a document I believe you prepared, could you describe it for us?
A Okay. This is where the land is going in --

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Q Could you just generally describe the document first, what it is?
A Okay. It's an adjusting journal entry to the...
Q Did you prepare this document?
A Yes, sir.
And it appears here that the land, $202,611.20, and there was a note payable to Bill Clinton and Hillary Rodham, and a note payable to James B. McDougal to record, I can't read what that says there, cost of land when purchased is what it says, I think, to record initial cost of land when purchased.
Is that correct?
Q Could you state the number that is listed for each party, each note payable?
A The total cost of the land was $202,611.20. And a note payable for Bill and Hillary Clinton for $101,305.60. And a note payable to James McDougal for $101,305.60.
MR. COLE: That's a note payable -- that's meant to represent a note payable by the corporation

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to those individuals in that amount?
THE WITNESS: That's correct.
BY MR. JIAMPIETRO: (Resuming)
Q For the record, this was the opening journal entry for Whitewater Development Company?
A That's correct.
Q For the Fiscal Year ending May 31st, 1980?
A Um-hmmm.
Q And the first year Whitewater was incorporated?
A Um-hmmm.
Q Can you explain this journal entry to us?
A Well, I don't know how to explain it other than it's recording the land on the books of the company and notes payable to the different parties there and putting them on the books of Whitewater.
Q Were any notes ever issued to these parties?
A Any formal notes?
Q Yes.
A If there were, sir, I'm not aware of them.
Q When you prepared this opening entry, what

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was the basis for making this entry?
A What do you mean, what was the basis for making it?
Q If there were no formal notes payable, how did you know that notes payable were issued to Bill Clinton and Hillary Clinton and Jim McDougal?
A Because I sat down with Mr. McDougal and this is what I was told.
Like I said, these records were furnished from information given to me and that's all I had to go on.
Q For clarification, when would you have prepared this document?
A When I did the -- if you want a date, I don't know the date, but it would have been done --
Q Approximately.
A -- whenever the tax return -- when we were closing the books and getting read to prepare the tax return for the Fiscal Year ending May 31st, 1980.
(Document shown to the witness.)
Q I would like to show you a document Bates Stamped CBF 0312. This document states at the top,

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"Excerpts from the Minutes of the Meeting of the board of directors of Whitewater Development Company, Inc." It is dated October 30th, 1982. It is signed by an S.H. McDougal.
Would you take a moment to review these resolutions, particularly the first sentence in the first resolution. I'll read it:
"BE IT RESOLVED that Whitewater Development Company, Inc., pledged to Citizens Bank & Trust Company corporate assets for the purpose of securing obligations of the corporation to Citizens Bank & Trust Company, and to guaranty obligations to Citizens Bank & Trust Company which the corporation assumed and agreed to pay."
If you had had this document when you were preparing the opening ledger, would you have still indicated that notes payable were issued to the Clintons and the McDougals?
MR. COLE: I'm sorry, this document is dated October 1982. I believe he testified that he

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would have prepared the document you previously showed him in 1980. So what is it you are suggesting, that he would have had a 1982 document in 1980? I am not following that.

MR. JIAMPIETRO: The background on this particular question is this resolution appears to state that Whitewater assumed the obligation to Citizens Bank & Trust.

MR. COLE: Give me a moment to read the document.

BY MR. JIAMPIETRO: (Resuming)

Q The warranty deed dated September 30th, 1979, states -- transferring the land from Susan McDougal and Bill Clinton, James McDougal and Hillary Rodham to Whitewater Development Company, transferred the land "subject" to the mortgage.

The question is whether or not this was clarifying that when the land was transferred Whitewater assumed the obligation.

MR. COLE: I just don't want to suggest to Mr. James, based on one document that something occurred that may or may not have occurred,

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because -- and I want to make sure I am understanding you correctly.

You are reading this document to indicate that in fact the corporation assumed the debts of the individuals?

BY MR. JIAMPIETRO: (Resuming)

Q I just read what the document said.

MR. COLE: No, you said more than what is in the document.

MR. JIAMPIETRO: And I am asking whether or not this document clarifies whether or not the corporation assumed the obligation to Citizens Bank & Trust when the land was transferred from the McDougals and Clintons to Whitewater.

I have a series of questions regarding this document, as well.

BY MR. JIAMPIETRO: (Resuming)

Q Let me first ask you regarding -- Well, let me wait for --

MR. COLE: I'd like a moment to read the document because you're getting into a very technical area here, and just for my own understanding I want

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to be able to follow your line of questioning.
THE WITNESS: Can we take a quick break, then?
MR. COLE: Sure.
(Whereupon, a brief recess was taken.)
MR. JIAMPIETRO: On the record.
BY MR. JIAMPIETRO: (Resuming)
Q Returning to the document Bates Stamped CDF 0312, were you involved in the preparation of this document?
A No, sir.
Q Are you familiar with the document?
A It's the first time I've seen it.
Q Let's return to the document Bates Stamped DKRT 800170, the opening entry.
A Um-hmmm.
Q From this, what was the value of the land when it was transferred to the corporation? Can you tell us from looking at this?
A Well, what the land -- what it's value was, who knows? But it was put on the books at $202,611.20.

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Q Isn't there also, though, an entry on line 15, the entries at the bottom referring to land first states: "Land, note pay Bill Clinton & HR to record entry paid by" and it appears to be "RC"?
A Yes. I assume it's that.
Q And below that, "Land, note payable" -- note pay GLSC to record interest paid by GSLC. In each case the amount listed is $10,130.56?
A Um-hmmm.
Q Would those have increased the value of the land?
A That's the way it was set up; yes, sir.
Q So it came onto the books of Whitewater for more than what the parties originally paid for the land?
A Than the original -- the way I -- and this is going back, you know, let's see, how many years? 16? It appears that we put the land on there for $202,611.20.
MR. COLE: That was the purchase price, if I recall correctly.
THE WITNESS: Yes. They originally

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purchased it at that.
Then it appears to me that what we did was, they had paid interest personally, and it was added to the cost of the land when it was transferred to the books.
And here again I'm just having to try to recollect after 16 years.
Q What is "GSLC" for the record?
A Great Southern Land Company.
Q Are there things other than interest that are shown here as added to the --
MR. COLE: I think it would be helpful to have the witness explain the entire document instead of just focusing on one line.
BY MR. JIAMPIETRO: (Resuming)
Q I agree.
A Well, this right here appears to be a general journal entry that expenses that Great Southern Land Company paid for surveys, miscellaneous expense, legal, taxes, license, some road expense, interest, advertising.
BY MR. JIAMPIETRO: (Resuming)

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Q Would those have been expenses paid during the first year of the corporation?
A Yes.
Q When would Great Southern Land Company have paid those expenses?
A As for dates, I don't know, sir. But in order for me to put them on here, I assume they would have been paid within the fiscal year for it.
MR. COLE: And you would have based this on information that you were provided by Mr. McDougal?
THE WITNESS: Yes, sir, and from the other, you know, books that were kept. I'm sure that, you know, if this was paid it was -- and I say I'm "sure," I'm assuming there was an interest set up on Great Southern Land Company for the amounts paid for Whitewater.
MR. COLE: I'm sorry, I'm just trying to understand this entry.
All of the, as I see it, the line items that begin with surveying and go through legal and down to advertising, are all of those related to

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Great Southern Land Corporation?
THE WITNESS: No, sir, they're related to Whitewater but they were paid for by Great Southern Land Company.
MR. COLE: So the note payable to Great Southern Land Corporation, does that balance --
THE WITNESS: These (indicating).
MR. COLE: These, plus the original price of the land?
THE WITNESS: No, sir. These are just expenses.
MR. COLE: I see. But this number (indicating)?
THE WITNESS: That's a note that Whitewater owed -- I mean, that Great Southern owed Whitewater -- excuse me, that Whitewater owed Great Southern.
MR. COLE: Okay, this is not going to make any sense at all on the record.
When I said "this," I was referring to this, what is it?
THE WITNESS: $26,392.69.

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MR. COLE: And is that number the total of these expenses that are listed in the column beside it?
THE WITNESS: Yes, sir. That's correct.
BY MR. JIAMPIETRO: (Resuming)
(Document shown to the witness.)
Q Let me give you several documents which may help you give a little more explanation as to some of the expenses paid during the first year of incorporation --
A These were all things that I had. I would like to know where they came from. I'm assuming that my records were copied.
Q Let me first ask you.
I have given you documents DKRT 800048 and DKRT 800047. Please refer to DKRT 800047 first.
Did you prepare this document?
A That's my writing. Yes, sir.
Q Could you explain what it shows?
A (Pause.)
Q It is dated, just to give you some reference points, it is dated 1978 in the upper left-

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hand corner, and it appears to show different expenses.
A Um-hmmm.
Q And there are dates next to each expense, and there is a list of numbers running along the right margin --
A Yes, sir.
Q -- on each line.
Were these pre-incorporation expenses?
A There again, sir, I don't remember.
Q Maybe if you would refer to DKRT 80048 --
A I mean, I had to get the figures from somewhere, but where I can't remember.
Q This document appears to be an earlier version, perhaps? Could you explain?
Did you prepare this document, first of all?
A That's my writing; yes, sir.
MR. COLE: And what is it that makes you suggest to the witness that it is an earlier version, just so I am following you here, since we're going to plant in his mind the idea that this is an earlier

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version. I'm curious what the basis for that is.
MR. JIAMPIETRO: If you look at the document Bates Stamped DKRT 800047, it refers to "1979." And some of the dates along the left-hand margin are similar and have similar listings and similar amounts shown.
(Pause.)
(Witness is writing on napkin.)
MR. JIAMPIETRO: Would you like a piece of paper?
THE WITNESS: No, I'm fine. I'm just trying to --
MR. DINH: Here is a calculator for you.
THE WITNESS: No, I'm just about through here. I'm just trying to see if any of these add up. I don't remember.
Go ahead with your question. I'll answer what I can about it.
BY MR. JIAMPIETRO: (Resuming)
Q Okay.
Can you describe these documents for us and explain what they are?

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A No, sir, at this point I can't.
(Laughter.)
Q Can you read the notes at the bottom of the page marked DKRT 800048?
MR. COLE: First, whose handwriting is that, if you know?
Is it yours?
THE WITNESS: No, sir, it is not mine.
MR. COLE: Do you recognize it?
MR. JIAMPIETRO: Do you recognize it?
THE WITNESS: Yes, sir. It appears to be James McDougal's.
BY MR. JIAMPIETRO: (Resuming)
Q Did you discuss any of these notes with him?
A These down here (indicating)?
Q Yes.
A I don't recall any of these. I do know from the handwriting that I prepared these others, and maybe I gave this to him to take action on. But that would be speculation because I don't remember these (indicating), even.

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MR. COLE: Well there's a distinction here that suggests if this is his handwriting on here, there are two possibilities -- or there could be more than two -- but one would be that you prepared this and gave it to him, and then he added things; or, the other possibility would be that the two of you discussed and he put these down in your presence. I am wondering if you recall which might have been the case.
THE WITNESS: I do not recall being with him. Of course I don't remember -- I don't recall being with him when he wrote this on there. There were a lot of instances where I would give him something and then he would make his notes on it. I think ya'll will run across documents like that in there. I'm sure you have.
BY MR. JIAMPIETRO: (Resuming)
Q I am going to state for the record, or read the notes that are listed on the bottom of this page.
The first note states:
"Borrow $10,000 to pay interest. Repay

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from house loan."
Do you have any knowledge of that?
A No, sir.
Q The second point states: "Buy beach house at Hot Springs."
Do you have any knowledge of that?
A No, sir.
Q The third point states "Can't sell notes" I can't read the -- the rest of the line is illegible, except there's a reference to "tax burden".
A Um-hmmm.
Q Do you have any knowledge of that?
A No, sir.
Q The fourth point states: "Minimize taxes 1978, employ tax strategy 1979."
Do you have any knowledge regarding that?
A No, sir, I do not.
MR. COLE: Is there anything about any of these items, one, two, three, or four, that would lead you to believe they relate to Whitewater? And I am particularly looking at things like "Buy beach house at Hot Springs"?

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THE WITNESS: Well, that's what I was sitting here thinking. This is just speculation on my part; he might of just taken this paper and written him some notes on here. I can't say, you know --
MR. COLE: So there's nothing in these one, two, three, or four that at least would lead you to believe that any of these notes refer specifically to Whitewater?
THE WITNESS: No, sir, not to me it doesn't.
BY MR. JIAMPIETRO: (Resuming)
Q Except I would point out that they are written on the bottom of --
A Yes, sir.
Q -- of the Whitewater Journal -- or notes written that may have been prepared --
Were these notes prepared by you in preparing --
A Yes, sir --
Q -- the Whitewater Journal?
A Well, now, I don't think they were for the

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Whitewater Journal, were they? I think they were just schedules I made to show him or something, the way it appears.

Q When would you have prepared these?

A I have no date as to when it might have been, sir. I really don't know. But these might of been things I had written down to ask him about or, you know, to show him.

MR. COLE: Was Mr. McDougal careful about writing notes on things? Or would he write a note on anything that appeared on his --

THE WITNESS: He'd pick up anything and write on it.

BY MR. JIAMPIETRO: (Resuming)

Q But these schedules do relate to Whitewater?

A (Pause.)

Q The schedules --

A By all the indications, they do, yes, sir.

MR. COLE: That is, the portion of it that is in your handwriting.

THE WITNESS: Yes; Um-hmmm.

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MR. COLE: You can't speak one way or another for the other portion --

THE WITNESS: You see, this right down here is not my handwriting.

MR. COLE: Okay, the record won't reflect it, but you're looking at document number DKRT 800048, and you're looking at the numbers in the middle of the page?

THE WITNESS: Yes.

MR. COLE: That's not your handwriting?

THE WITNESS: That's not my handwriting, the eleven hundred, and then where it's totalled here. I did not put that on there.

MR. JIAMPIETRO: Off the record a moment.

(Discussion off the record.)

MR. JIAMPIETRO: On the record.

BY MR. JIAMPIETRO: (Resuming)

(Document shown to the witness.)

Q I would like you to refer to DKRT 801348. This is a check. It states on the upper left-hand corner "Bill Clinton or Hillary Rodham". It's check No. 697 dated 12/28/1978, made out to Great Southern

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Land Company for the amount of $10,130.59. It's a Union National Bank check.
A I see.
Q The note states, "reimbursement of six months' interest," and it's signed by Hillary Rodham.
A Um-hmmm.
Q Are you familiar with this check?
A If you're asking if I remember specifically, no, sir. But if it was deposited in Great Southern, I'm sure I saw it go through there at that time.
It's a different figure from these. That's just what I checked.
MR. COLE: Pretty darned close, though.
THE WITNESS: It's close. If it's six months' interest it could have been --
MR. COLE: Just so the record is clear, when you say "different figure from these," you are comparing the amount of ten thousand --
THE WITNESS: $10,130.58, and that is $10,130.56.
MR. COLE: On DKRT 800170, which was the

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journal entry that showed a list of Whitewater expenses, and it said -- can you read that, Mr. James?
THE WITNESS: "Note payable, Bill Clinton and Hillary Rodham" or "HR" is what I have.
MR. COLE: $10,130.56?
THE WITNESS: $10,130.56.
MR. COLE: And this check is for $10,130.58?
THE WITNESS: Um-hmmm.
BY MR. JIAMPIETRO: (Resuming)
Q I would like to move on to document Bates Stamped DKSN 014217, which is the 1979 U.S. Corporation Income Tax Return from Whitewater Development Company.
A Yes, sir.
Q I would like to -- three pages from the return are listed. The other two are DKSN 014220 and DKSN 104223.
This return is not signed.
Did you prepare this return?
A That's my handwriting, and that's been my contention all along of who got these files, and who

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made copies because when I prepared a return -- well, this one doesn't make sense at all because I generally, if it didn't have it, it was typed in there or a label was used. This was initial return, so it would have been typed in there.

I always type my name at the bottom, and then sign it. But I didn't sign my copy for my file; but when I made photocopies, the photocopies I gave the clients were signed.

This, I don't know where it came from.

MR. COLE: Before a final tax return was prepared for one of your clients, would you prepare essentially a draft in hand? Is that your practice?

THE WITNESS: A lot of times I did.

MR. COLE: I guess what I'm asking is whether it is possible that this might have been a draft that you had in your files that was not the final return?

THE WITNESS: It's possible; yes, sir. Now the figures might indicate it is, but a lot of times I would be in a hurry and write so where it wasn't quite legible, and I would go back in and

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rewrite it in there when I took my time.

MR. COLE: And I take it from your comment that you have some concern about the source of these documents.

You indicated I think in your earlier testimony that you permitted Mrs. Clinton to copy your files --

THE WITNESS: No, sir. I didn't permit her to "copy" them. I left them with her to look at. But evidently -- and I don't say it was there, but somehow somebody made a copy of all my files.

BY MR. JIAMPIETRO: (Resuming)

Q This would have been the corporate return for the first year Whitewater was incorporated?

A That's correct.

Q Would you please refer to line 18 on DKSN 014220?

A Okay.

Q It's on Schedule L, Balance Sheets.

A Okay.

Q It lists under the heading "Liabilities and Stockholder Equity," line 18, requests

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information on loans from stockholders.
A Okay.
Q That line is in blank.
A That's correct.
Q You stated in earlier questioning that when the land was transferred from the Clintons and McDougals to Whitewater, notes payable were issued to Bill Clinton and Hillary Clinton and Jim McDougal.
Wouldn't those notes have been listed here?
A That's the way I -- Yes, sir, unless I got it on the wrong line. And that's the way I did put it over here in this adjusted journal entry the way you're showing. I set the notes up that way.
Well, let's see. Just a minute. Yes. Um-hmmm.
Q For clarification, line 19 requests information on mortgages, notes, bonds payable in one year or more.
A Um-hmmm.
Q And lists the amount $222,872,32.
A Um-hmmm.

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Q That is the amount listing the mortgages and notes, but it also should have listed the loans from stockholders if notes payable were issued to the Clintons and to Jim McDougal.
MR. COLE: Is that a question?
BY MR. JIAMPIETRO: (Resuming)
Q Should it have also listed the notes payable to the Clintons and to Jim McDougal as a separate line?
A I didn't follow you on this now.
Q Okay.
You just had the -- are you telling us that you incorrectly listed the number one line down?
A I'm not telling you. I don't know what happened, sir. And like I say, I have questions with this because this might be the final one to IRS, but it doesn't --
Q Let me --
A And if you all --
Q -- show you the --
MR. COLE: Well before we leave that, to my knowledge we don't have a final 1979 filing. Do

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you gentlemen have something that I'm not aware of?
MR. JIAMPIETRO: We will use a later return, as well.
MR. COLE: For now, though, since you've been asking him about '79, I am interested in what we have or don't have.
MR. JIAMPIETRO: This is the only copy of the return that we have for 1979.
MR. COLE: That's the only copy that I have, as well. So if we had it -- at least if I had it, I would show it to you, Mr. James. I don't have it.
MR. DINH: Off the record.
(Discussion off the record.)
MR. JIAMPIETRO: On the record, please.
(Discussion off the record.)
BY MR. JIAMPIETRO: (Resuming)
Q I would like to show you documents Bates Stamped DKSN 014246 through 014250. This is the U.S. Corporation Income Tax Return for Whitewater for the year 1980?
A Yes, it is -- well, no, sir, it's for '81.

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Q Oh, I'm sorry.
A For the Fiscal Year ended May 31st, 1982.
MR. JIAMPIETRO: Off the record.
(Discussion off the record.)
MR. JIAMPIETRO: On the record, please.
BY MR. JIAMPIETRO: (Resuming)
Q I would like to just restate for the record the document number that I am going to show you, DKSN 014246 through 014250. If you would, refer to line 18, schedule L.
A Yes.
There's no entry.
Q There is no listing?
A That is correct.
Q On the "loans to shareholders" line.
A Yes.
Q But the number $222,502.32 is listed in line 19 for mortgages, notes, bonds payable in one-year or more on Schedule L?
A Yes, sir.
MR. COLE: I'm sorry, you said loans "to" shareholders --

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BY MR. JIAMPIETRO: (Resuming)
Q Loans "from" shareholders.
A Loans from shareholders, right.
MR. COLE: Or loans from stockholders, I think, is what it says.
THE WITNESS: I cannot answer your question as to why that is that way.
BY MR. JIAMPIETRO: (Resuming)
Q Does that mean that was in error?
A I don't know, sir, at this point.
I put it here.
I always -- and this is just speculation on my part -- the next thing I would do is take this (indicating), and copy it over here to the beginning of the year, and it was on that line --
MR. COLE: Wait. Slow down a little Mr. James, because when you say "here" and "here," when we are reading this transcript none of this will make sense.
THE WITNESS: Okay. When I would take, for preparing the next year's, on the back under the balance sheet, I would take the end of the last

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taxable year and copy those figures into the beginning of the tax year.
BY MR. JIAMPIETRO: (Resuming)
Q For the next year's return.
A Yes, sir.
And now I am not saying it was an error. I can't answer as to why. I don't know. I really don't. If I would, I would be happy to tell you.
Q Let's move on.
MR. COLE: Off the record for a second.
(Discussion off the record.)
BY MR. JIAMPIETRO: (Resuming)
Q Moving on, I would like to show you documents Bates Stamped DKRT 800049, 800050. Would you please describe these documents?
(Documents shown to the witness.)
A That looks like a worksheet for Whitewater Development Company for the Fiscal Year ending May 31st, 1980.
Q Did you prepare these documents?
A Yes, sir; that's my writing.
Q Would you look at the line three quarters

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down the page that states "Loan, Bill Clinton."
A Okay.
Q It lists $2,900.
A Yes, sir.
Q And then an adjustment for $500?
A Yes, sir.
Q Can you explain that entry for us?
A At this time, no, sir.
(Document shown to the witness.)
Q I would like to give you a document Bates Stamped DKRT 801103.
Could you please describe this document?
Let me, for the sake of efficiency, let me describe it. It also appears to be a worksheet for the journal.
A Yes, sir.
Q The Whitewater Journal.
A It appears that that's what I showed to -- for capitalizing $1000.
Q Would that have been -- what would that entry have represented?
A At this time, and this is just speculation

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on my part as to what I re -- you know, what was down here, it looks like it's for $500 for each of these for capital stock.
Q That would have indicated that $500 of the $2900 was used -- was paid in capital?
Is that correct?
A Yes, sir. I mean, that's the way it is shown here.
Q And the result -- and the balance of that was recorded as a loan to Bill Clinton?
A (Pause.)
Q Or loan from Bill Clinton?
A A loan from Bill Clinton.
That's the way it's recorded; yes, sir.
Q Were these funds, $1000, used for the initial purchase -- did they record the initial purchase of the stock by the shareholders?
A That's what it's showing, yes, sir, that there was $500 from Bill Clinton, and $500 from Great Southern Land Company.
MR. COLE: And why is nothing shown for you, Mr. James, since you --

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THE WITNESS: (Interrupting) -- because evidently -- evidently, I was already out of it. I don't remember on it. Like I said, I wasn't in this thing very long at all.

MR. COLE: I'm sorry, so this entry would not refer to the original formation of the corporation? It would be for a later period?

THE WITNESS: You all are asking me to remember something I can't remember.

MR. JIAMPIETRO: I am going to move on.

THE WITNESS: As I stated before, all of this was done after he had moved to Kingston and I was trying to get thing done to get the taxes on file.

MR. JIAMPIETRO: We are getting close.

THE WITNESS: I want to answer all your questions the best I can, and I am trying.

MR. COLE: We do appreciate it.

MR. JIAMPIETRO: We do appreciate it; thank you very much, Mr. James.

BY MR. JIAMPIETRO: (Resuming)

(Document shown to the witness.)

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Q I would like you to refer to DKRT 800533.

A All right.

Q This is a check from Bill Clinton or Hillary Clinton dated August 23rd, 1980, for the amount of $9000 drawn on Union National Bank.

A Um-hmmm.

Q Signed by Hillary Rodham.

A Um-hmmm.

Q Have you ever seen this document before?

A Not to my recollection, sir. It's "pay to the order of" no one on there. Unless you have a back showing who it was endorsed by.

(Discussion off the record.)

Q On the back it states that the check was deposited at Citizens Bank & Trust Company. At least there is a stamp which states "Citizens Bank & Trust Company, Flippin, Arkansas, September 5th, 1980."

Does that refresh your memory?

A No, sir.

MR. COLE: How long did it normally take checks to clear in Arkansas, if you're aware, at that time, Mr. James? Because from August 23rd to

September 5th seems to me a longer than normal clearing period for a check. This check might not have been deposited right away.

THE WITNESS: Well, I don't know. It went to Citizens in Flippin, so, you know, they might of still hand-stamped everything there. Who knows?

MR. COLE: But this doesn't show it went to some other institution and then was deposited into Citizens Bank of Flippin, as I am reading this. It appears that that is the only bank that stamped this check, and that is the date that they stamped it.

So one would assume that they received it either on that date, perhaps late in the day before, and stamped it, and it doesn't explain what happened between August 23rd and September the 5th.

Ah, mysteries; mysteries.

BY MR. JIAMPIETRO: (Resuming)

Q Okay. Let's move on.

(Documents shown to the witness.)

I am going to show you a series of documents Bates Stamped DKRT 900155, DKRT 801344.

This first document is a copy of the



promissory note from Union National Bank in Little Rock for the amount of $20,000, and signed by Bill Clinton and James McDougal.

It states that the note was due on 6/16/1980.

The second document shows the bank statement of Whitewater Development at Union National Bank of Little Rock. It's a checking account statement for the period 5/30 through 6/30/1980. It shows a deposit on June 20th of $20,000, and a check 114 clearing on June 23rd in the amount of $21,346.29.

Were you involved in any way in the payment of the Union National Bank loan?

A No, sir, not that I recall. I sure don't. All of this leads me to the indication that I was out of this before the first tax return was even filed.

MR. COLE: When you say "out of this," you mean --

THE WITNESS: Out of Whitewater Development.

BY MR. JIAMPIETRO: (Resuming)

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Q This promissory note is dated December 17th, 1979, and the Union Bank Statement is for 5/30 through 6/30/80.

You said that you would have been out handling the Whitewater documents by June 30th of 1980?

A Well I'm in as a stockholder in it.

There's a pretty good description in the time difference here between this "20" and this "20." This is the 17th of '79, and this is June 20th of '80.

Q One of these documents pays off the note. The note came due on June 16th, 1980, and the bank statement for Union --

A Okay, the 21? Is that what you're saying?

Q That's right.

A Yeah.

Q June 23rd. I am asking you whether or not that reflects the payment on the Union Bank note. And if you have any knowledge as to how that note was paid.

MR. COLE: I'm sorry? You have stated

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that as a fact -- and I have no reason to believe that is not the fact, but are you asking him that as a question, whether he has any knowledge --

BY MR. JIAMPIETRO: (Resuming)

(Document shown to the witness.)

Q I would like to show you a document Bates Stamped DKRT 901077.

A If you can show me something to refresh my memory, I will be happy, too.

Q Let's see if this does.

A Okay.

Q It's a check from Whitewater Development Company dated June 23rd, 1980, in the amount of $21,346.29. Pay to the order of Union National Bank.

A Yes, sir. I'm assuming it would, because it's the same note number as this note is.

MR. COLE: Did you sign the check, Mr. James?

THE WITNESS: Yes. Um-hmmm.

BY MR. JIAMPIETRO: (Resuming)

Q You have no knowledge of where these funds came from?

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A No, sir, not at this time I sure don't. There's a $20,000 deposit there on June the 20th, but as to where it came from, if you all can tell me, which I bet you all have got a deposit slip --

(Document shown to the witness.)

Q There is a deposit slip Bates Stamped DKRT 90068 from the Union National Bank dated June 20th, 1980. It states: "James B. McDougal, $20,000 (Bank of Cherry Valley)"?

A Yes, sir. That's what it states.

Q Would the funds to pay off the Union Bank note have come from Jim McDougal, the deposit of $20,000?

A At this point, I'll have to assume it does because the dates correspond to everything.

MR. COLE: Off the record for a second.

(Discussion off the record.)

MR. JIAMPIETRO: On the record.

(Documents shown to the witness.)

BY MR. JIAMPIETRO: (Resuming)

Q I would like to show you a document Bates Stamped DKRT 400989, and document DKRT 50067.

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A Okay.

Q The first document is a letter from Jim McDougal to Bill Clinton dated March 1st, 1982, which states, "I have paid from Whitewater Development Corporation the note you owned Citizens Bank of Jonesboro. You are correct in your belief that the sum of money borrowed was part of your investment in Whitewater."

Are you familiar with any note from Citizens Bank of Jonesboro that was taken out by Bill Clinton and used by Whitewater Development Company?

A No, sir. At this time it doesn't ring a bell to me.

Q The second document is a Whitewater Development Company check dated February 22nd, 1982, to Citizens Bank in the amount of $5,671.20, signed by Glenda Howard.

Any knowledge of this check and the payment on this note?

A No, sir. And I'm sure that if this was a Whitewater check, I entered it somehow on their books. But as to how at this time, I can't tell you.

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Q Let me ask you about --
A I hope you all understand that this was all done long distance. You may not have clients like this, but being a small person you just had to dig information and --
Q Mr. James --
A -- I got this stuff a lot of times it was over a year, because I had to get extensions.
Q This is very tedious, and we certainly appreciate your effort. We are just trying to get some answers and see if anything --
A And I'm not trying to evade your questions as to when I say I don't remember. I really don't.
(Document shown to the witness.)
Q Please review Document Bates Stamped LP 01981.
A Okay.
Q This is the journal entry on the first page for the payment on the Citizens Bank loan.
Did you prepare this document?
A Yes, sir.
Q You did.

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Can you describe this journal entry?
A Well, actually this is not a journal entry, sir. This looks like it was from the check stubs and bank deposits.
I was trying to get some type of journal, because you'll notice here's the bank, and here's how -- basically I was just having to work with a spread sheet is all I could do, because this was difficult.
Q Is this a working paper that you prepared?
A It looks like more of a journal where I was trying to record checks and deposits.
Q On the second page, LP 01982, it lists the amount $5,691.20.
Would you read the line, the category that that is listed under?
A "Interest expense."
Q Interest expense.
Did you record that whole amount as an interest expense in the Whitewater ledger?
A At this point, yes, sir.
That's how that check number 133 --

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Q Let's move on to the next issue.
I would like to move on to the next and last topic, which is lot 13.
A Okay, now refresh my memory. I am just asking. Is this the lot the house is on?
Q Yes. Lot 13 is the lot that was released by Citizens Bank to Whitewater and then was purchased from Whitewater by Hillary Clinton.
Were you involved in any transaction involving this lot 13?
A How do you mean "involved in that transaction"?
Q Can you just give us a brief description of your knowledge regarding this transaction? Any knowledge that you have on it? How you understood --
A To the best I remember, it had to be released because they had to get a loan on the house and that lot had to be released, if I'm not mistaken. I could be wrong on that, but, you know, is that the way the papers work out there? Or can you tell me?
(Documents shown to the witness.)
Q I'll show you documents Bates Stamped DKRT

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900163, 900019, and 900021.
The first document is the second page of the document that I just gave you is the mortgage dated December 16th, 1980, held by Bank of Kingston on Hillary Rodham's -- on tract 13 of Whitewater Estates purchased by Hillary Rodham.
It shows that the -- it lists tract 13 as securing a $30,000 note and is dated December 16th, 1980.
The next page, DKRT 900021, is the warranty deed from Whitewater to Hillary Rodham dated December 20th, 1980, four days after the mortgage releasing tract 13 on Whitewater to Hillary Rodham.
(Pause.)
Are you familiar with who arranged the financing for the purchase of lot 13?
A No, sir.
MR. DINH: Let's go off the record for one second.
(Discussion off the record.)
MR. JIAMPIETRO: On the record.
Mr. James, I want to end this questioning

for now and thank you for your efforts in answering.
Mr. Cole?
MR. DINH: But we will continue this deposition.
MR. COLE: Just in light of the time constraints, I do have one question that I would like to ask relating to, while it is fresh in your mind, Mr. James, the documents you have been shown and the tax returns that you have been shown.
You prepared these tax returns, and these accounting entries, and worksheets that we have shown based on information that either you were provided by Mr. and Mrs. McDougal, or that you had from your own sources in connection with your work with Whitewater Development Company?
THE WITNESS: That's correct.
MR. COLE: And what you did in these tax returns and accounting entries is simply your best professional judgment based on the information you had available to you at the time?
THE WITNESS: Yes. And I would like to state on the record that, if you will notice, that I



feel sure that by the time I had prepared this first tax return that Mr. McDougal had already moved to Kingston and I had gone into the automobile business.
So at this point I feel that this was done on a long-distance basis, him sending me stuff, or me trying to call or me getting information.
MR. COLE: And when you say "he," your communications were with Mr. McDougal?
THE WITNESS: With Mr. McDougal, right.
MR. COLE: And you have no recollection of discussing with either Governor Clinton or Mrs. Clinton any of either the tax items or the accounting entries that we have discussed here today?
THE WITNESS: No, sir, I didn't.
MR. COLE: That is all I have.
MR. DINH: Off the record.
(Whereupon, at 7:17 p.m., the deposition was recessed, to reconvene at a mutually agreed time and place.)

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CHARLES E. JAMES

CERTIFICATE OF NOTARY PUBLIC & REPORTER 301

I, JANE W. BEACH, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Jane W. Beach

Notary Public in and for the
District of Columbia

My Commission Expires NOVEMBER 14, 1996

# DEPOSITION OF GAINES B. NORTON, JR.
# IN RE: S. RES. 120

MONDAY, MAY 6, 1996

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SPECIAL COMMITTEE TO INVESTIGATE WHITEWATER
DEVELOPMENT CORPORATION AND RELATED MATTERS,
*Washington, DC.*

Deposition of GAINES B. NORTON, JR., called for examination pursuant to notice of deposition, at 1:05 p.m. in Room 534 of the Dirksen Senate Office Building, before BRENDA M. SMONSKEY, a Notary Public within and for the District of Columbia, when were present:

JOSEPH A. JIAMPIETRO, ESQ.
Majority Counsel
MICHAEL P. O'CALLAGHAN, ESQ.
Majority Associate Special Counsel
LANCE COLE, ESQ.
Minority Deputy Special Counsel
U.S. Senate
Committee on Banking, Housing, and Urban Affairs
534 Dirksen Building
Washington, DC 20510
On behalf of the Committee.

PETER G. KUMPE, ESQ.
Williams & Anderson
111 Center Street
Little Rock, Arkansas 72201
On behalf of the Deponent.

ALSO PRESENT: STEVEN BANKLER
JOSEPH POTTER

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PROCEEDINGS

MR. JIAMPIETRO: On the record. My name is Joseph Jiampietro. I am Majority counsel to the Committee on Banking, Housing and Urban Affairs of the United States Senate. With me today to conduct this deposition is Michael O'Callaghan, Majority counsel to the Special Committee to investigate Whitewater Development Corporation. Also with me today is Steven Bankler, a consultant to the Special Committee.

Representing the Minority is Lance Cole, Minority counsel, and Joseph Potter, Minority staff.

I want to welcome you, Mr. Norton, today to this deposition.

The deposition is being conducted pursuant to Senate Resolution 120. This Resolution establishes a Special Committee administered by the Senate Banking Committee to conduct an investigation into Whitewater Development Corporation, Madison Guaranty Savings & Loan Association, and other related matters. Section 1(b)(3)(A) of Resolution 120 authorizes investigation and public hearings into



"the operations, solvency, and regulation of Madison Guaranty Savings & Loan Association and any subsidiary, affiliate, or other entity owned or controlled by Madison Guaranty Savings & Loan Association."

Section 1(b)(3)(B) of Resolution 120 authorizes investigation and public hearings into "the activities, investments and tax liability of Whitewater Development Corporation and, as related to Whitewater Development Corporation, of its officers, directors and shareholders."

Section 1(b)(3)(D) of Resolution 120 authorizes investigation and public hearings into "the handling by the RTC, the Office of Thrift Supervision, the FDIC and the FSLIC of civil or administrative actions against parties regarding Madison Guaranty Savings & Loan Association."

These subjects will be the focus of today's deposition. The deposition is conducted in advance of public hearings which are currently ongoing. No decision has been made as to who will be among the witnesses at such hearings but we will notify you in

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advance of any determination that you will be asked to testify at hearing.

The stenographer will prepare a record of questions and answers. Depositions will be treated as committee confidential until the commencement of hearings. Whole or part of such depositions may be made public. Prior to the hearings, you will receive a letter from the Committee telling you that you may come to the Senate to review the transcript of your deposition and make note of any corrections for transcription on an errata sheet.

There is a limited purpose of this review, and information should not be disclosed for other reasons to the press or other witnesses.

MR. COLE: I would also note that, for out-of-town witnesses, we have made arrangements to make your transcript available to you in Little Rock so you don't have to come back up here to Washington to do that. We can arrange that in this case as well.

MR. JIAMPIETRO: That is correct. We discussed that off the record prior to starting the

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deposition.

If you are called to testify at public hearings, you will be provided with a copy of your deposition transcript four days in advance of your testimony, again for the limited purpose of preparing yourself for testimony at the public hearings. You may be represented by counsel. I note for the record you are represented by counsel today.

You may want to state for the record your name and affiliation.

MR. KUMPE: My name is Peter G. Kumpe, and I practice law with the Little Rock law firm of Williams & Anderson.

MR. JIAMPIETRO: Objections as to the form of questions will be noted for the record. There are two grounds upon which counsel may object and give an instruction not to answer: privilege and scope. The Committee Chairman will rule on objections where the witness refuses to answer a question.

The court reporter can swear the witness at this time.

Whereupon,

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GAINES B. NORTON, JR.
was called as a witness and, having first been duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. JIAMPIETRO:

Q Welcome, Mr. Norton, and I hope we can get this deposition done quickly and get you on your airplane back to Little Rock as soon as possible.

Would you please state your name for the record.

A Full name is Gaines B. Norton, Jr.

Q From the time of your notice of this deposition, have you had any conversations with anybody other than your attorneys and family members about the substance or subject matter that you have been asked to testify about today?

A No.

Q Have you been interviewed or questioned

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under oath by any investigative agency or individual about the substance or subject matter that you have been asked to testify about today?

A No.

Q Will you please list for the record and describe any degrees and professional organizations that you may have or are associated with.

A I have a degree from Little Rock University, BS in accounting. I am a CPA. 1970 I think is when I got the certificate in the state of Arkansas. I am a member of the Arkansas Society of CPAs, the American Institute of CPAs. Degrees or associations?

Q Degrees and associations. Do you have any advanced degrees in accounting?

A No.

Q Are you certified as an accountant in any other states?

A No.

Q Could you please give us a brief description of your employment history from the time you received your degree in accounting.

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A I started with the IRS in Little Rock as a revenue agent, actually started June of 1967, worked there until October of 1969, when I went into public accounting; first with a local firm, George Rector & Company, for about a year. Then I went with a larger local firm, Russell Brown & Company. In 1974, a firm called Jack Frost & Company, now known as Frost & Company, was formed. I went there until I retired from public accounting on September 30, 1991.

Since then, since October 1 of '91, I have been both an independent consultant and also have a relationship with Stephens, Inc.; I am employed there on a part-time basis.

Q Could you describe the work that you do for Stephens, Inc.

MR. COLE: Before you answer that question, Mr. Norton, there may be a question as to whether work you do for Stephens, Inc. is within the scope of what the Senate has authorized this committee to investigate.

I think some general background inquiry is appropriate. I don't feel you need to divulge

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anything confidential about your work for Stephens at this point.

THE WITNESS: It isn't confidential. I went to work there April 1 of 1992 or '93? '93. And I am -- I have a series 7 license and a series 63 and I am also licensed to sell insurance, life and disability. And I went there with the purpose in mind of starting a division aimed at higher income people, kind of a trust division. That never went off.

So even though I am still technically employed there, I really do not provide any services for them anymore.

MR. COLE: That's fine. I didn't mean to interrupt you. I think general background questions are perfectly appropriate, but the inner workings of Stephens, Inc. are one thing not in Senate Resolution 120.

BY MR. JIAMPIETRO:

Q I would like to go back to your employment at Frost & Company. You noted that Frost & Company was formed in 1974?

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A Right.
Q Could you tell us how you came to work at Frost & Company, give us more specific detail on that.
A Okay. Jack Frost, S.U. Frost, Jr., who formed Frost & Company, was a senior partner at Russell Brown & Company. When he left, he asked myself and three other people to go with him, and I went with him at that point.
Q So you were with the firm from its inception through September 30, 1991?
A That's right.
Q What type of clients did you represent during your employment with Frost & Company?
A I was a tax person in the firm and handled basically tax matters, and client responsibility, in charge of -- what you would call an in-charge partner who managed jobs, I did it basically from a tax standpoint.
Types of clients? Industry types, poultry, manufacturing, real estate. Other than that, just general tax practice.

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Q Who would determine your clients at the firm?
A I never thought about it that way. I did. The clients were either clients that I inherited, because I was there from the beginning, that came from Russell Brown & Company; or they were clients that I went out and obtained, I had relationships with and obtained.
Q Let me quickly ask you, you left Frost & Company on September 30, 1991. That was your decision to leave the firm?
A Yes, it was my decision.
Q When did you first meet William Clinton and Hillary Rodham?
A I'm going to guess, probably 1978. That's a guess, '78 or '79. It might help me if you tell me which is the first tax return I prepared for them, and I could give you a more accurate answer. It wasn't long before that.
Q We will provide you with a copy of the first tax return that we have in our records from documents produced to us. I'm providing you with a

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copy of the Clintons' 1978 federal income tax return, Bates stamped LP 00656 through LP 00672.

A Really I wanted to know which year it was, because it would have --

Q It is the 1978 --

A My memory is it was in late '78, before the '78 return was prepared.

Q The top of the first page of the document produced to us states "instructions for filing 1978 federal and state income tax returns and vouchers." It lists Hillary Rodham and William J. Clinton. On the third page of the document, it is signed Gaines B. Norton, CPA.

A Okay. My memory is it was in late 1978. I prepared their '78 return in early '79.

MR. JIAMPIETRO: Off the record.

(Discussion off the record.)

BY MR. JIAMPIETRO:

Q It is our understanding that a copy of the Clintons' 1977 tax return was made public and that your signature appeared on that return. Does this refresh your memory as to when you may have started

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preparing the Clintons' personal tax returns?

A Yes. If that's the first return I prepared and signed for them, I would have met them late in the year of the return, that that return covers. So, if it was 1977, I met them late in 1977. If it was an earlier year, it would have been an earlier year. I have no memory.

Q Was your initial meeting with the Clintons after a determination had been made that you would be their personal accountant?

MR. KUMPE: I'm going to interpose an objection as to form. It assumes -- and I don't know what you mean by "personal accountant" -- but it assumes that such a determination had been made. So I object to the form.

MR. COLE: I would note -- and I want this to go quickly and smoothly and I'm not trying to slow things down here, but our jurisdiction really begins with the Whitewater investment. I would caution the witness to try to be responsive to Mr. Jiampietro's questions but to recall that, in terms of the Clintons' other financial interests or matters you

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may have consulted him on, our jurisdiction begins with the Whitewater investment.

MR. JIAMPIETRO: I think that is not perfectly correct. I believe the jurisdiction of the Committee reaches the Whitewater Development Corporation. It is an investigation into the handling of the investigation of Whitewater Development Corporation by other official government agencies. It also includes activities involved in purchasing the land of Whitewater, which was purchased a year previous to the formation of the corporation. So I don't think that is perfectly correct.

MR. COLE: I agree with that. When I said "Whitewater," I did not mean the formation of the corporation, I meant the purchase of the Whitewater property. So the purchase of the property in 1978 is when I think our story begins for purposes of this deposition.

MR. JIAMPIETRO: I would also clarify that I believe there are certain matters which may show a prior course of action that led to the investment in

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Whitewater which are also under the jurisdiction of the Committee.

MR. COLE: I think those we will have to take one at a time as they come up and see whether the staff agrees, or whether it is necessary to have it resolved outside of this deposition. Why don't we go ahead. We have spent enough time on that.

BY MR. JIAMPIETRO:

Q Once again I will ask you: When was the determination made that you would be the Clintons' personal accountant?

A My memory is that the meeting where I met them, when they came to my office, it was -- I don't know. I think at that meeting it was already understood I was going to be doing their work. I don't remember what preceded that meeting. I mean, it was a meeting to introduce myself and to meet them and say yes, I will do your tax work.

Q Could you please describe the nature and extent of the services you performed for the Clintons.

A Preparing their personal tax return.

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Q For what years did you prepare the Clintons' personal tax returns?
A You will have to refresh my memory, but it was about 1977 through '81 or '82. And I'm --
Q I will show you a number of documents that will refresh your memory.
A Okay.
Q I will show you these documents, and take as much time as you need to refresh your memory as to each document. I'm going to show you documents Bates stamped LP 00673 through LP 00689, which is the Clintons' federal income tax return for the year 1980. Would you please confirm that you prepared that document.
(Witness examined the document.)
A I did.
Q I will show you a copy of document Bates stamped LP 00690 through LP 00695, the Clintons' personal income tax return for 1981.
Would you confirm that you prepared that document.
(Witness examined the document.)

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A I did.
Q I will show you document Bates stamped LP 00696 there LP 00719, which contains the Clintons' personal income tax return for 1982. Would you confirm that you prepared that document.
(Witness examined the document.)
A I did.
Q I'm going to show you, finally, document Bates stamped LP 00720 through LP 00739, which is the Clintons' personal income tax return for the year 1983. Would you confirm that you prepared that document.
(Witness examined the document.)
A I did.
Q You can keep those documents in front of you. We will have specific questions relating to each of them.
A I don't know that it is important, but the '79 is missing. So is -- I prepared the 1977 through 1983 tax returns.
Q I'm going to show you document Bates stamped DKRT 800002 through DKRT 800020, which is the

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Clintons' personal income tax return for 1979. Would you please confirm that you prepared that document.

(Witness examined the document.)

A Yes, I did.

Q While you were employed at Frost & Company, what information would you normally gather from your clients in order to prepare a tax return?

A It depends on the client. Every client is different.

Q With regard to the Clintons' personal income tax returns which you have before you, what information would you normally gather from the Clintons in order to prepare their tax return?

A My memory on it is that there was summary information provided by both Mr. and Mrs. Clinton, and my memory is also that they each provided segments of it. Like he would have certain parts and she would have certain parts, and then I would take that information and merge it together to prepare the return.

Q Did you use a formal questionnaire in gathering the information from the Clintons?

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A The firm had a formal questionnaire. Depending on which period of time, there were different questionnaires. They called them organizers.

With the Clintons, no, I didn't, because they never used the organizer. I would just review the information they supplied me and ask them questions if something was unclear.

Q Would the Clintons have supplied you with canceled checks for you to prepare the personal tax returns?

A You are going back a long ways. When you ask -- I remember seeing summary documents prepared by them, like a listing on a yellow pad. Whether I actually saw canceled checks, I can't sit here and tell you because I really don't remember.

Q Can you confirm that you signed each of the Clintons' tax returns for the years that you prepared their returns?

A I did confirm that; I did look at my signature on each of those years and confirmed.

Q As a signatory of the return, doesn't that

mean that you are taking responsibility for the return?

A Yes.

Q Would you have normally, in cases where you were taking responsibility for the return, have requested supporting documentation for documents, summary documents provided to you to prepare personal income tax returns?

A No.

Q I would like to clarify whether the Clintons provided you with supporting documentation. To the best of your knowledge, is it that they did not provide supporting documentation in the form of canceled checks, receipts and bank statements, or is it that you just don't recall whether they provided you with that information?

MR. COLE: Mr. Norton, I heard you testify pretty clearly that you don't recall. Not recalling is a perfectly acceptable answer in this context. If you can recall, please tell us what you can recall. If you can't recall, then I wouldn't guess or speculate just because you are being asked the



question.

THE WITNESS: Your original question was canceled checks, whether I looked at canceled checks. The subsequent question was other documentation.

Other documentation, in the form of 1099s, W-2s and 1099s, comes in a variety of forms, whether it be interest, dividends or whatever. Those normally I would always ask for, to make sure that an individual will be aware that they have a certain kind of income and they will think it might be dividend or interest income, but they don't know unless you look at the documentation. You don't know where to put it on the return.

I will amend that answer in that respect, I do know I did that, that was my procedure to always get W-2s, 1099s and reporting forms. I just have no memory as to whether I ever looked at a check.

BY MR. JIAMPIETRO:

Q What I may do as we go along in this deposition is show you documents. Some of those documents will be bank statements, some will be

checks to refresh your memory. If you have no memory of these documents, please state that for the record.

MR. COLE: Do you have some document now, though, that indicates that he did review checks? Because if he can't remember and you have some evidence that indicates that he did, I think the fair thing to do is show that to him now so the record won't be left with him relying on his memory when you have some other information.

BY MR. JIAMPIETRO:

Q When I have a question that regards a certain document, I certainly will show you the document before I question you regarding that document.

A Can I ask a question about that?

Q Of course.

A Are any of those old Frost & Company files available? That would have shown what I had looked at, if you want to know.

MR. COLE: You are saying it would help your recollection to see the actual file, if one



still exists, that would have backed up these tax returns?

MR. KUMPE: I will tell you, Mr. Norton, that there are some files from Frost & Company that were given to independent counsel in Little Rock. In my work on behalf of Frost, with counsel for the Special Committee, I understood they were going to obtain that information directly from independent counsel, but I don't know. And Frost & Company did not retain copies.

So whatever files are available --

BY MR. JIAMPIETRO:

Q The Special Committee has received documents through a number of different productions from a number of different private and public sources. The documents which we have gathered here today and will use in your deposition come from various sources. We will, to the best of our ability, describe the document, show it to you and if you have a memory of the document, then you can so state. If you don't, you can also state that, and I hope you would.

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While you were employed at Frost & Company, what was your record retention policy?

MR. KUMPE: Are you asking his personal record retention policy or that of the firm?

MR. JIAMPIETRO: Let me rephrase the question.

BY MR. JIAMPIETRO:

Q While you were employed at Frost & Company, what was the general record retention policy of Frost & Company?

A At some point while I was there, we established the first record retention policy. I don't remember what year that was. But the transfer of files, the old files that had been moved out of our current working files went to a storage location, was real burdensome.

The first record retention policy we established was to pass around a listing to all partners and senior accountants of the files that were in the transfer storage with a memo that stated any tax files over 10 years old -- and I don't remember on the audit files what it was, what the

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policy was there -- any tax files that were 10 years old would be thrown away, would be destroyed unless a partner okayed keeping it longer.

Now, what the record retention policy is other than that, I don't know.

Q Was your record retention policy the same as the general record retention policy of Frost & Company?

A It was.

Q To clarify, you stated that returns were kept for at least 10 years unless a determination by a partner was made to keep something longer; is that correct?

A That's correct.

Q Under the Frost & Company record retention policy, was supporting documentation also retained for 10 years?

A Yes.

Q Unless, of course, a determination was made by a partner that --

A To keep them all, that's right.

Q -- the records should be kept for a longer

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period of time.
Did anyone assist you in preparing the Clintons' personal income tax returns?
A Yes.
Q Could you please state for the record who assisted you on the preparation of their returns. I will rephrase that to make it a little more specific.
Did anyone assist you on the substantive matters of preparing the Clintons' personal income tax returns? By that matter, I understand there may have been clerical personnel or office personnel that photocopied or received documents or phone calls. I'm not interested in that type of personnel.
A I would have a staff accountant fill out the forms based on the information provided to me from the Clintons. Then I would review their work, and it would be processed and I would sign it.
Now, as far as the specific people, I remember Joe Selz helped me in some of the earlier years particularly. I honestly don't remember any other names.

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Q Other than yourself, would anyone else have reviewed the returns?
A No, other than for -- well, you mentioned clerical, eliminating clerical. There would be a math -- on the hand-prepared returns, there would have been somebody math-checking it.
On the computer-prepared returns, there would have been a person in charge of making sure the return was right and the information was there. That is more of a mechanical review.
Q I would like to follow up on one of the questions I asked earlier regarding the retention policy for supporting documentation. Specifically related to the Clintons' personal income tax returns, did you retain copies of the supporting documentation used to prepare the Clintons' personal income tax returns?
A The supporting documentation was maintained in the same file as the tax return and the firm's copy of the tax return was maintained in. And those files were part of the general -- there was a point in time early on where some of those files were

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maintained separately, but then they were maintained with the general -- at some point, we just decided to maintain them with the general files of the firm.

Q Did you ever discuss tax planning or investment planning with the Clintons?

A I remember one conversation dealing with tax planning with Mr. Clinton.

Q Could you please describe that conversation to us.

A Yes.

MR. COLE: Before he describes the conversation, I suppose, Mr. Jiampietro, your theory would be that it is within the scope of the Resolution if it relates to the Whitewater investment, and I wouldn't dispute that. But if it was a conversation that has no bearing on the Whitewater investment, then I'm not sure it is within the scope of our resolution.

Maybe a first question would be was this a conversation that occurred at a point in time when the Clintons had an investment in Whitewater, just for starters.

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BY MR. JIAMPIETRO:

Q That's a question that I think you should answer.

A Okay. My memory is that it was at the beginning of the Whitewater investment. It is my understanding that that's when it took place.

Q Would you please describe to us the substance of that conversation.

A It had to do with their investment in Whitewater. President Clinton asked me one day, called me up and asked me to attend a meeting with himself and Jim McDougal, and at this meeting there was somebody else who I can't remember his name. My memory is that he was a CPA. The purpose -- we met at I believe Jim McDougal's office. And the purpose of the meeting was for me to listen to an investment, the Whitewater investment, to listen to the description of it and what they planned to do taxwise.

The investment was described to me as an investment in land on the White River and that the individuals, that Jim McDougal and Bill Clinton were

going to be partners in it, and it was going to be owned by a corporation, and that there was going to be no equity in it, it was all going to be borrowed out. The full amount of the investment would be represented by debt and that the form of the investment would be a corporation, elect S corporation status.

I asked if there were going to be any start-up losses and Jim McDougal said there would be, there would be some particular interest on the front end until they got it developed. I asked what the partners -- what the stockholders were going to use as the tax basis for this loss, and this other accountant or CPA that was there said that they were going to use guaranteed debt as basis.

I told them my understanding of the tax law was that the guaranteed debt didn't work as tax basis in an S corporation, and they needed to relook at that. And that was the end of the meeting.

Q Could you please state once again, just for the record, who attended that meeting.

A Jim McDougal, Bill Clinton and another



gentleman who I remember to be an accountant, maybe a CPA. I have no memory of his name. I don't know that I could even identify him if I saw him today.

Q Does the name Charles James refresh your memory as to the person there?

A No, it doesn't refresh my memory.

Q I would like to see if we can pin down the time of this meeting.

A I have no memory of the timing on it.

Q Was the meeting prior to the incorporation of Whitewater Development Corporation?

A I have no idea. I have never seen anything on the incorporation of Whitewater.

Q The substance of the meeting covered the process of incorporation; is that correct?

A Not that I know of. I mean, the substance of the meeting was to describe the investment and to say that the form of the investment would be in a corporation and that the corporation would elect S corporation status.

Q Was this meeting prior to any land purchase that was contemplated?

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A I have no idea. I have never seen any documentation as to when it was purchased.
Q Based on your experience as a CPA, why would a corporation choose S corp. status?
A There are a lot of reasons.
Q Were any of these reasons discussed at this meeting that you attended?
A My memory is the one reason it was discussed was that there would be start-up losses in the development of the land project and that the stockholders wished to take those start-up losses in their individual returns.
Q Did you ever learn at a subsequent date of problems arising with the decision to elect S corp. status?
A My memory is that there was no S corp. status elected. I mean, I know that because there was no K-1, 1120SK-1 used in the preparing of their returns. I could look at these returns and verify that. That's my memory. So I don't know how to answer your question about any problem.
Q You noted that guaranteed debt would be

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used as the tax basis for the corporation, and you also stated that you noted some problems with this.
Could you please explain, in greater detail if possible, the problems you thought there were in using this and describe in some greater detail their plan of using this guaranteed debt as the basis.
MR. COLE: To make an already complicated question more complicated, the only thing I would ask is that the witness try to distinguish carefully between what he was told by the participants at the meeting, and what he may have assumed or concluded on his own. In other words, separate what you knew or what they said from what you guessed or thought they may have been thinking, if you can do that.
THE WITNESS: Unfortunately, I'm not sure I can. I can -- my memory of the meeting, again, and I just have to restate this and maybe this answers the question, is that the investment was described to me and I don't remember whether it was Jim McDougal or the accountant that was there said that the land was going to be owned or would be owned in a corporation and that the corporation would elect S corporate

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status. They said the investment would be all borrowed debt.

That's when I asked just the logical question about it, because it concerned -- this question concerned me; in the way I would prepare the Clintons' tax return, would the Clintons have sufficient tax basis in order to claim any loss that would show up on an S corporation.

So I asked the question how would tax basis be established. And the accountant said that it would be established by using guaranteed debt. I told them I thought there was a problem with utilizing guaranteed debt, that I did not know any law that allowed an S corporation to use guaranteed debt for shareholder basis.

Any answer beyond that I think I am going to start relying on my general knowledge of tax law and S corporations, and I would be --

Q Since you have made the distinction, can you expand on your discussion using your general knowledge of why you may have thought there was a problem?

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MR. KUMPE: I'm going to object to the form of the question, because when you use the term "discussion," you are asking him to recite about events which he said he does not remember.

MR. COLE: I think if you want to, for the clarity of the record, ask him for a general explanation of some of the accounting and tax issues involved, that's fine, but I don't think it is appropriate on the record to imply in any way that that general description based on his general knowledge reflects what occurred at the meeting.

I think unless we are careful here in the way we build this record, it could be subject to misinterpretation at some later time. Proceed as you choose, but that would be my position.

MR. JIAMPIETRO: I certainly want the record to read clearly and precisely.

BY MR. JIAMPIETRO:

Q Let me ask you some specific follow-up questions to the meeting and then perhaps we will move on to some broader questions regarding your general knowledge of these accounting issues.

How actively did Bill Clinton participate in the meeting?

A My memory is that he didn't participate in the meeting, that he was listening.

Q Who was doing most of the talking during the meeting?

A Jim McDougal.

Q Was there any discussion of what are described as back-to-back loans or mirror loans being used in the establishment of Whitewater Development Corporation?

MR. COLE: Are you asking whether those particular words were used, or are you asking him whether he had an understanding whether something that would fit that description was discussed?

MR. JIAMPIETRO: The latter.

MR. COLE: Let's be clear on that then.

BY MR. JIAMPIETRO:

Q Let me take you in a couple of steps on this question. Perhaps it will be easier.

In your experience as a CPA, have you ever had an experience with mirror loans or back-to-back



loans?

A To establish basis in an S corp. or just --

Q More generally in terms of establishing a corporation or on transferring assets, personal assets into a corporation.

A Yes, I have seen that used. If it is in the same -- you are using the generic term, and that is dangerous when you talk about technical areas.

MR. COLE: I think you should describe what you understand him to mean by that term. Otherwise, someone who reads this transcript later will not know whether you two are talking about the same thing. I think for clarity of the record, the witness should state what he understands the term "mirror loans" or "back-to-back loans," or each separately, means.

BY MR. JIAMPIETRO:

Q Please.

A All right. They are used in a lot of different contexts in the tax law. Generally they are used where a taxpayer has a transaction that would either trigger income because of a basis issue, like, for instance, when you incorporate a company,

if you have debt in excess of your tax basis and you incorporate a company under section 351, you trigger taxable income. That's one example I can think of.

So you create -- the corporation creates debt in that situation where I guess -- I think it would be where the individual would be loaning money to the corporation to make up -- where you would use debt to make up that difference in tax basis.

In an S corporation status, sometimes you set a situation up where an individual borrows money from a bank, any kind of lending institution or individual, and then turns around and loans that money to the corporation to establish S corporation tax basis. That is a couple of situations.

Q In your experience, have you ever seen a situation where individuals purchased property using notes upon which they were personally liable, then transferred that property to a corporation that was subsequently formed, new notes then being issued to the transferors of the property and the mortgage moving with the property into the corporation?

A I have seen that transaction before.



Q Was that situation discussed at this meeting?

A I have no memory of that situation. I partly hesitate because I have seen it other places. But I have no memory of discussing that in that meeting.

Q Did you ever discuss such a situation with Bill Clinton?

A Not to my memory.

Q Did you ever discuss such a situation with Hillary Clinton?

A Not to my memory.

Q Did you ever discuss such a situation with Jim McDougal?

A No, not to my memory.

Q Did you ever discuss this situation with any accountant that was employed by Whitewater Development Corporation, or by the Clintons, or by the McDougals?

A Not in my memory, not to my memory.

Q You stated that you met with Bill Clinton and Jim McDougal during this meeting and discussed

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Whitewater Development Corporation. Did you have any other meetings with either Jim McDougal, Susan McDougal, Bill Clinton or Hillary Rodham at which Whitewater Development Corporation, 101 River Development, Incorporated was discussed?

A I never even heard of 101 River Development, Incorporated. I never met Susan McDougal. In my memory, the first and only time I ever met Jim McDougal was at that meeting.

Whether I had any discussions with Bill or Hillary Clinton, you know, part of this memory really has to do with what I read in the papers, so I can't really pinpoint any exact discussions. But I have read in the papers that there was interest expense taken on their individual returns that referred to Whitewater.

Whether I ever discussed with them that this interest expense, if it was on Whitewater or Whitewater-related assets, I would have to guess I did, but I really have no specific memory of those transactions.

Q We will be reviewing some of those specific

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transactions and specific entries on the Clintons' personal income tax returns. When we discuss each of those entries, perhaps it will refresh your memory.

A Okay.

Q Is it correct that the last personal income tax return that you prepared for the Clintons was their 1983 personal income tax return?

A I am going to have to rely on you-all that that is -- the last return you gave me is the last return I prepared. To the best of my memory, that's in the right time frame.

Q How did your relationship with the Clintons terminate?

A My memory on that is that the Clintons were using an investment counselor, Bill Smith, and that Bill Smith wanted to get a better overall handle on their financial situation, including their tax liability, and that he asked them -- I don't know whether he prepared it or had somebody else prepare it, but he asked that they move the preparation of the tax returns from me.

Q Were any other reasons given for the

change?
A Not in my memory, no.
Q After you terminated your official relationship with the Clintons, did you have any further contacts with Bill Clinton or Hillary Rodham?
A Yes. I mean, from time to time I would run into Hillary Rodham or Bill Clinton.
Q At any of these meetings, did you ever discuss the Whitewater Development Corporation or the Clintons' tax returns?
A No -- excuse me. One time Hillary Rodham Clinton called me on the phone, and I think it was during the Presidential campaign, and asked me if I could dig up any old tax files, if I could find any.
My memory is I made an effort to find them, and she called me back sometime later, and I said I can't find them, I can't find any old files. But that is the only one.
Q Did Hillary Clinton explain to you why she was interested in receiving the old tax files?
A I don't remember what answer she gave me, what she told me as a reason.



Q Did you ever come to meet or speak with anyone else associated with the Clinton Presidential campaign? Let me clarify for the record. With regard to your work and had discussions with regard to your work for the Clintons or how the Clintons treated the Whitewater Development Corporation investment.
A Limited to the Whitewater investment?
Q Limited to the Whitewater investment and your preparation of their income tax returns.
A I had no discussions with anybody about the Whitewater Development.
MR. COLE: I think if you had a discussion with someone else from the campaign or representing the Clintons about other financial matters of the Clintons in the context of the campaign, you should answer the question yes or no unless we can determine that the subject matter of that discussion is somehow within Senate Resolution 120, and if need be, we can go item by item through it and ask you.
I don't think you should testify about it until we have established that. I think the first

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response should be a yes or no response.
THE WITNESS: The answer is yes, I have had some contact with people during the campaign time -- whether they were with the campaign I don't know; they were representing the Clintons -- to ask about an item dealing with the preparation of the return. It didn't have to do with Whitewater.
MR. COLE: Off the record for a minute.
(Discussion off the record.)
BY MR. JIAMPIETRO:
Q I would like to return to your phone call with Hillary Clinton in which she requested any records you may have retained regarding her personal income tax returns. Did you ask her why she was interested in getting the returns?
A I don't remember asking her.
Q Was anything else discussed in the telephone conversation?
A No.
Q Were you surprised by the telephone conversation?
A Not particularly.

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Q Was it common for people to call six or seven years after their relationship had terminated with you and ask for files or records?
MR. COLE: Was it common for clients to be running for President?
THE WITNESS: I have had clients ask for old files before, or ex-clients ask for old files. It is not an everyday occurrence, but --
BY MR. JIAMPIETRO:
Q I'm going to ask you if you had any meetings or telephone conversations with a number of people. You can state the answer just yes or no, and then once we determine whether or not you had any conversations, we can ask substantive questions.
Did you ever have a meeting or telephone conversation with Jim Blair?
A Yes.
MR. COLE: You know, this is a little complicated because I think at least we should say did you have a discussion with these people that pertained in some way to the Clintons. Because Mr. Blair is an officer of a large corporation in

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Arkansas, I would think it is very possible Mr. Norton had discussions with him which had nothing to do with this, which we are not getting into.

MR. JIAMPIETRO: Let me rephrase the question.

BY MR. JIAMPIETRO:

Q Did you ever have a meeting or telephone conversation with Jim Blair regarding the Clintons?

A No.

Q Did you ever have a meeting or telephone conversation with Loretta Lynch regarding the Clintons?

A No.

Q Did you ever have a meeting or telephone conversation with Jim Lyons regarding Whitewater Development Corporation or the Clintons?

A No.

Q Leslie Patten?

A No.

Q Norris Weiss?

A No.

Q Did you ever have a meeting or telephone

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conversation with anyone from the Clinton Presidential campaign regarding the Clintons or the Whitewater Development Corporation?

A I don't know how to answer that. There are two people I am thinking of. I don't know whether they were with the campaign or not.

Q Would you please state who those people are.

A Yoly Redden and David Kendall.

Q Did your meeting with David Kendall relate to the Whitewater Development Corporation?

MR. COLE: Do we have it in the record that it was a meeting?

BY MR. JIAMPIETRO:

Q Did you meet with David Kendall or have a telephone conversation with him?

A Telephone.

Q Did your telephone conversation with David Kendall have to do with the Whitewater Development Corporation?

A No.

Q Did it have to do with the Clintons'

investment in the Whitewater Development Corporation?
A No.
Q Did it have to do with any tax liability associated with the Clintons?
A Yes.
Q Was that tax liability related to Whitewater Development Corporation?
MR. COLE: I'm a little confused --
MR. JIAMPIETRO: I think that is --
MR. COLE: -- theoretically anything on a given year's tax return is related to anything else on that tax return. So --
MR. JIAMPIETRO: That's a stretch. Come on. I asked him did the conversation specifically relate to tax liability regarding Whitewater Development Corporation, and I think that is pretty clear.
MR. COLE: That's fine, if you are telling me that you don't mean -- I don't want to put him in a position --
MR. JIAMPIETRO: I'm not saying to the extent they had -- I'm saying to the extent that the



tax liability discussed related to the Whitewater Development Corporation, I think it is clearly within the scope of this investigation.
MR. COLE: I don't disagree with that. Where I think you and I might differ -- and I don't know whether we differ or not -- is that if there is a given year's tax return that has deductions relating to Whitewater Development Corporation, and in that same year's tax return, there is income from another source not related and the discussion he had was about that other source, I would not say that is related to Whitewater.
MR. JIAMPIETRO: Unless, of course, the discussion of that other source of income was somehow related back to the deduction taken for Whitewater.
MR. COLE: If that occurred, it would be a discussion concerning Whitewater. All I'm trying to do is clarify this because I think these questions are more difficult for the witness to answer than they are for you to ask.
MR. JIAMPIETRO: That's fine. So do I.
THE WITNESS: Can you repeat the question.

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MR. JIAMPIETRO: Sure. Please read back the question and then the response.

(The reporter read the record as requested.)

THE WITNESS: Not specifically. I'm hedging my answer because what he said was true. On any tax return, everything interrelates. The questions he asked me were of a general nature about a tax return year.

BY MR. JIAMPIETRO:

Q Let me ask you a specific question. Did you discuss in that telephone conversation with David Kendall whether or not the Whitewater investment was being used as a tax shelter for activities by the Clintons which were producing income for the Clintons?

A I don't remember -- no. The answer is no.

Q Did the Whitewater Development Corporation name come up at all in your conversation?

A I may be stretching when I say it did. I think I remember a reference to it, but it wasn't what he was calling me about. I think he made a reference to it in like an oh, by the way.

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Q I think that "oh, by the way" is something that we would be interested in hearing. Please explain it to us.

A In order to explain it, I almost have to tell you why he was calling me.

Q I think if it is that close of a relationship, we have -- Lance, this is my --

MR. COLE: It is not your resolution, and we are bound by the scope. If the "oh, by the way" was oh, by the way, I'm interested in this because I'm representing the Clintons in an investigation of Whitewater and this may spill over into Whitewater, I think he should describe it without telling what the other matter is. I don't know what was said.

All I'm saying is that there are issues of careful interpretation here. I'm trying to be --

MR. JIAMPIETRO: I think we have been very specific in asking the questions, and I think we have now determined that the Whitewater Development Corporation name was mentioned.

MR. COLE: That's all we have determined.

MR. JIAMPIETRO: We are trying to determine

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in what context that was mentioned. I think our scope, and we can read in the scope on this, is very broad as it relates to the Whitewater Development Corporation.

MR. COLE: If it relates to the Whitewater Development Corporation, it is within the scope. The witness answered the question twice saying it didn't relate to Whitewater, and only through your continuing to probe did you get out --

MR. KUMPE: Just say what you recall his saying that included Whitewater, just what you recall.

THE WITNESS: He had asked me to review some documents. I reviewed those documents. He said that "oh, by the way" to a review of those documents, the Clintons have noticed that there were some errors, or not the Clintons, but some accountants who have pored over these tax returns I think under Mr. Lyons -- but I'm not sure that he said that -- had noticed some errors in the return, and that the Clintons have agreed to file -- not have agreed but have filed an amended return and paid some additional

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tax.

Somewhere in that conversation I think he mentioned something about Whitewater being involved in that or some sort of expense dealing with Whitewater.

MR. COLE: When you say "in that," you mean in the errors?

THE WITNESS: In the errors. Dealing with a couple other areas, dealing with some unreported income and unreported deduction. It was like an "oh, by the way" follow-up. We actually had more than one telephone conversation. It was either two or three. I can't tell you exactly how many because I didn't keep notes on it.

But the specific reason he was calling me was just, it was unrelated to the Whitewater. It was more of a general -- I don't --

BY MR. JIAMPIETRO:

Q How long did these phone conversations last?

A 10 minutes each maybe, maybe five minutes.

Q Was anyone else involved in the telephone

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conversations?
A No.
Q You noted that the errors that he mentioned included unreported income. Was this unreported income related to Whitewater Development Corporation?
A No, no.
Q You also noted that he mentioned improper deductions -- let me rephrase that question.
Did he mention improper deductions?
A I don't remember that term being used.
Q But you do recall him mentioning unreported income?
A Yes.
Q That did not relate to Whitewater?
A Did not relate to.
Q Was the amended tax return ever filed?
A I don't know. I never had anything to do with it.
MR. COLE: I think that was very helpful and I'm very happy to have you testify in as much detail as you can recall as with regard to anything which was said with regard to Whitewater. I

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apologize with the difficulty for getting this on the record, but when the Senate passed this resolution, there was a great deal of negotiation between the Majority and Minority as to what subject matters would be included. And some things pertaining directly or indirectly to the Clintons tax liability were specifically excluded from the scope of this investigation.
It is my job here today to make sure we follow the mandate the Senators gave us in the Resolution. That's all I'm trying to accomplish here.
MR. JIAMPIETRO: I think it is important to emphasize at this time, though, that the mandate given to the Special Committee by the Senate in an overwhelming vote was quite broad and not so specifically related to the Whitewater Development Corporation as Minority counsel would lead some of us to believe.
I will just state for the record, in addition to the activities, investments and tax liability of Whitewater Development Corporation and

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as related to Whitewater Development Corporation of its officers, directors and shareholders, this committee has jurisdiction over a number of other areas, including the operation, solvency and regulation of Madison Guaranty Savings & Loan Association and any subsidiary, affiliate and any other entity owned or controlled by Madison Savings & Loan.

It also has jurisdiction over the handling by the RTC, the Office of Thrift Supervision, the FDIC, FSLIC of civil or administrative actions of parties regarding Madison Guaranty Savings & Loan Association. A number of those activities occurred prior to the purchase of Whitewater and purchase of this land. Our jurisdiction reaches those matters.

In some cases the investigation included questioning of the Clintons and other persons related to Whitewater and Madison Guaranty and the investigations of that corporation and that bank and savings and loan association.

We have a very broad jurisdiction here, and I think I need to be very clear that it is not just

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Whitewater Development Corporation that this Committee is investigating. If anything -- when I ask you a general question on these matters, we have broad jurisdiction.

For instance, your response to my question regarding the telephone conversation with David Kendall, I think that is clearly -- there is not even a question that that is within the scope. I think you are right to tell us that. I will state for the record that you were cooperative and did tell us that. But I don't want you to get the wrong impression from the statements being made by Minority counsel here that our jurisdiction is strictly limited.

If, for instance, discussions were held that Whitewater was being used as a tax shelter for commodities gains, that is something that is within the scope of the Committee's jurisdiction, clearly within the scope of the Committee's jurisdiction. I don't want there to be any confusion that just because something not related specifically to Whitewater was discussed that it is not within the

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scope of the jurisdiction of this committee.
THE WITNESS: I don't want to be the one to judge whether the answer to my question --
MR. COLE: You don't have to be. The only thing you have to do, which you have been doing, is be patient while we work these things out. I agree with Mr. Jiampietro that the Committee's mandate is very broad. I don't disagree with his characterization concerning Whitewater.
What I was referring to was where the Resolution as adopted by the Senate has specific language where it says "the activities, investments and tax liability of Whitewater Development Corporation and, as related to Whitewater Development Corporation, of its officers, directors and shareholders."
Mr. Jiampietro may not have been involved at the time, but I was when this was drafted. I know that language was put in there specifically to make clear that the Committee can investigate the tax liabilities of the officers, directors and shareholders of Whitewater, which includes the

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Clintons, only as that relates to Whitewater Development Corporation.
He and I don't disagree. If Whitewater was part of a tax strategy that involved other things, then that is within the scope. But things that have no relation to Whitewater are not within the scope. That's where he and I may have to work it through.
MR. JIAMPIETRO: I just have to state in response to that -- and I appreciate your patience -- that a prior course of dealings between the McDougals and Clintons is clearly within the jurisdiction of this committee. There have been representations made that the investment in Whitewater was made because of earlier successes on transactions involving Mr. Clinton and Mr. McDougal.
I have discussed with the Chairman the relevancy of these transactions, and that --
MR. COLE: That misstates the record. I cannot sit still while you mischaracterize the record of this investigation. There has only been testimony of one prior transaction between the McDougals and the Clintons, and if you want to argue that that is a

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pattern somehow related to Whitewater, you have the opportunity to do that. But at least for accuracy's sake, if you are going to state your position, don't mischaracterize or misstate what the record is. There is only one prior transaction.

MR. KUMPE: Gentlemen, may I just state that Mr. Norton is here after several attempts at scheduling and he is here under the express assurance that his deposition can be completed this afternoon because he has a very important meeting first thing in the morning in Little Rock, Arkansas, and the discussions that you gentlemen are having are delaying the completion of this deposition.

Based upon my knowledge of this witness's knowledge, I think it is all moot. Let's go on and get the information that this witness has on the record.

MR. JIAMPIETRO: I think you will be surprised at the objections that you may hear as we move forward in our discussions. I think that the preparation of this debate has been laid very carefully by Minority counsel. But let's move on.

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BY MR. JIAMPIETRO:

Q I would like to direct your attention to the 1978 Clinton tax return.

A I have it.

Q I would specifically like to refer you to page 659, which is schedule A, itemized deductions.

A I'm there.

Q Line 19 --

A I see it.

Q -- bears an entry for Great Southern Land Company in the amount of $10,131.

A I see it.

Q How did you know to deduct this amount paid to Great Southern Land Company as interest?

A It would have been information supplied to me by the Clintons.

Q I would like to show you a copy of a report that has been referred to numerous times by Minority counsel and others.

MR. COLE: Not in this deposition, I don't believe.

BY MR. JIAMPIETRO:

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Q The document is a report, a preliminary report to the Resolution Trust Corporation on Madison Guaranty Savings & Loan and Whitewater Development Company Inc. dated April 24, 1995, prepared by Pillsbury, Madison & Sutro of San Francisco, California. I will refer you to some pages in this and read you the entries, and then ask you some specific questions about those entries.

I would like you to refer to page 28 of the report which is Bates stamped Senate WW report 0035.

A I see it.

Q I'm going to read the last paragraph of that on this page and a footnote.

The paragraph reads "in addition to this $26,393, Whitewater's general ledger credited Great Southern Land Company and the Clintons with another $20,260 consisting of $10,130 each for payments made personally to fund debt service. The Clintons paid their portion by a personal check dated December 28, 1978 for $10,130.58 made out to Great Southern Land Company. Great Southern Land Company contributed a like sum. The $20,260 approximately covered the

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interest payments made on a mortgage loan and the earnest money loan between November 1978 and August 1979."

The footnote numbered 122 reads "because they paid the money to Great Southern Land Company in 1978, the Clintons claimed the entire amount as an interest deduction on their 1978 income tax return, even though the interest on the Whitewater debt was only partially due in 1978. The press reports that tax experts differ as to whether this deduction was allowable."

I would like to ask you a number of questions. First, were you aware of these facts at the time you prepared the Clintons' 1978 income tax return?

A No.

Q If you had had these facts, would you have treated this transaction differently?

A I don't know. I don't know that I understand the transaction from what you have read.

Q Let's see if we can clarify it. According to the Pillsbury, Madison report, the Clintons paid

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$10,131 approximately to Great Southern Land Company in -- the check is dated December 28, 1978. And I have a copy of the check which I can show you. It might refresh your memory.

I'm showing the witness document Bates stamped LP 00523, the first check listed on this document is a check by Bill Clinton or Hillary Rodham Clinton to Great Southern Land Company in the amount of $10,130.58 made on the Union National Bank of Little Rock, Arkansas, signed Hillary Rodham, and it states "reimbursement of six months' interest."

According to the Pillsbury, Madison report, this amount reimbursed Great Southern Land Company for more than six months' interest, approximately 10 months' interest. And a good portion of that interest due was due in 1979 instead of 1978.

I'm just wondering whether, if you had known these facts at the time of preparing the income tax return, you may have done something differently.

A I mean, yes, sir. Based on what -- I'm assuming these facts are all right. Based on that assumption, yes, that all would not be interest

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deductible on the 1978 tax return.

MR. COLE: Just so we are clear, why do you come to that conclusion?

THE WITNESS: Prepaid interest isn't deductible. You deduct interest in the year it is due or paid and due. You can deduct old interest but you can't deduct prepaid interest.

MR. COLE: Based on the information here as to the timing, that's your conclusion?

THE WITNESS: The timing, yes. Also it says -- it said it approximately covered interest payments. I wonder what the difference is when I read that statement.

MR. COLE: Can you read what the "for" notation on the check says?

THE WITNESS: The question was stated what that says, "reimbursement of six months interest."

MR. COLE: But it doesn't specify year or time period, other than just saying "six months"?

THE WITNESS: It doesn't specify, no.

MR. JIAMPIETRO: Except that this Pillsbury, Madison report does specify that the

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interest payments that were paid into Whitewater, which included this check, covered the interest payments due between November 1978 and August 1979, which is a period of time I believe which is --

MR. COLE: That's fine. I'm not disputing that. You can't tell that from the underlying documents.

Mr. Norton, do you think you would have seen anything other than this check at the time?

THE WITNESS: I'm not sure I saw that check.

MR. COLE: I'm trying to distinguish what Pillsbury, Madison may have determined through their investigation and what you knew at the time.

BY MR. JIAMPIETRO:

Q If the Clintons didn't owe Great Southern Land Company money but were merely making a payment to Great Southern Land Company, and Great Southern Land Company then made the interest payment, would that have made a difference in your treatment?

A Yes.

Q How would that have --

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A If the Clintons weren't liable on the debt, then they would not have an interest deduction. You only deduct interest on payments which you are liable -- for debt you are liable on.

Q If the Clintons had a debt to Great Southern Land Company and paid that money to Great Southern Land Company and Great Southern Land Company then used that money for whatever, for paying interest, that would not have been deductible to the Clintons?

A I'm not sure -- if the Clintons had a debt to Great Southern Land Company and they were paying interest on that debt to Great Southern Land Company, then they would have an interest deduction. The Clintons would have an interest deduction.

Q Let me clarify once again. If there was a note between Great Southern Land Company and the Clintons -- let me correct that.

If there was no note between Great Southern Land Company and the Clintons, and the Clintons made this payment to Great Southern Land Company, is this amount deductible?

A No.
MR. COLE: Just so we are clear, your testimony is that the allowability of the deduction turns on whether or not there is a formal note executed, not whether in fact there was a debt?
THE WITNESS: You don't have to have a formal obligation to create a debt. You can have an informal one. It doesn't have to be a written note.
MR. COLE: When they say there is not a note, it is not clear to me whether you understood that question to be if there is not a debt or whether if there is not a written note agreement. I am sincerely confused on this, I'm not following the testimony.
THE WITNESS: I understood -- there has to be a debt from the payor of the interest to the recipient of the interest. Whether that debt is formalized in a note is not important. It is whether there is actually a debt, and interest is forbearance of money.
MR. COLE: That's consistent with my understanding. I think one may interpret your prior



answer differently.
THE WITNESS: I'm with you.
MR. KUMPE: You misspoke. You said there has to be a note.
THE WITNESS: There does not have to be one.
MR. COLE: There has to be a debt.
BY MR. JIAMPIETRO:
Q I would like to move on to another entry on the '78 return. Just so you know, I have about three or four points. We will get you out of here in time for your plane.
MR. COLE: The question is will I have an opportunity to ask questions, which has something to do with the reason I interject here, because I know that the Minority goes after the Majority, so I have to take my opportunities when I can.
MR. JIAMPIETRO: I think the record will show I have been giving Minority counsel ample opportunity to offer questions.
MR. COLE: I'm just noting it for the record, not complaining about it.

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BY MR. JIAMPIETRO:
Q I would like you to refer to several schedules attached to the 1978 return. Schedule D, capital gains or losses, page LP 00663 --
A I have it.
Q -- part 2, line 6.
A Yes.
Q Could you please describe the schedule and tell us what it is doing.
A The schedule is reporting long-term -- in this case long-term gain from sale of assets, assets held more than a year and sold by the Clintons.
Q Did you prepare the schedules?
A Yes.
Q Could you explain each entry listed because you are an accountant and I'm not and I'm sure to misstate what it is doing.
A The first line says "installment sales, see collection," and reports a gain of $788. The second line says "installment sale, collect," whatever that means, and reports a gain of $98. The third line says "five acres -- land," and apparently this was a

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sale of five acres of land that they purchased, that the Clintons purchased January 25, 1977 and sold May 17, 1978 for $5000, gross sales price, with a cost of $2850 and a gain of $2150.

The first, in the explanation of the first two items, it would have been on an installment sale, you report, taxpayer reports the gain as a collect the principal on the sale, and this would have been the portion of the gain applicable to the principal received in 1978.

Q So this schedule shows two transactions?
A I can't answer whether it is two or three. It says three transactions.
Q Let me correct, for the record, the first line, I think, reads "installment sale, see schedule," not "see collection" on it, just for the record.

There is another attachment, the last page of the return, Bates stamped LP 00672. It states at the top "Bill Clinton," and I believe it shows his Social Security number. And under that, it states in type "installment gain on sale," the description of

the property as "15 acres unimproved land." It states that this land was acquired on January 25, 1977 and sold on July 23, 1978.

Did you prepare this schedule?

A That's not my handwriting. I don't know whether I prepared it or somebody else. That's not my handwriting. I didn't prepare it.

Q Have you seen this schedule before?

A Not since the return was prepared, but I have seen it.

Q Would you say that this schedule is the supporting documentation for the entries listed in Schedule D, part 6 where it says "installment sale, see schedule"?

A It appears to be the support for the first two entries on part 2, line 6. The total gain -- the gain on this schedule applicable to 1978 is $886. If you add Schedule D, the first two entries together, that is $886.

Q I would like to ask you, that line that you were reading from on the schedule describing the 15-acre land transaction states that a deferred



balance of gain of $5549 was reported. What would have happened with that money?

A As the principal was collected in the future on this sale, that gain would have been reported, based on 42.9 percent of each principal payment, would have been gain.

Q Do you recall any conversations with the Clintons regarding these schedules?

A No.

Q Can you identify the handwriting on the schedule?

A I really can't.

Q Can you review the other returns, Schedule D on the other returns to see if this income was picked up, this 5549 was picked up at all?

A Yes.

Q As you review each return, if you could just state for the record whether or not the return shows any income being reported from this installment sale. I would appreciate it.

A 1980, the next -- wait, wait. I skipped a year. 1979 --

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MR. COLE: Off the record while the witness looks at those.

(Pause.)

(Discussion off the record.)

BY MR. JIAMPIETRO:

Q Please respond to the last question.

A On each tax return, there was an installment sale reported in 1978. In 1979 there is no income on Schedule D which reflects income from installment sale. In 1981, I don't know, because this is an incomplete tax return.

I do know that there was, on line 12 of the 1040 which summarizes the Schedule D, there is a gain of $1145 reported. I have no idea what the detail of that gain is since the Schedule D is not with the return I'm looking at.

I skipped 1980. And 1980, which I just skipped, reports $335 of principal times 42.9 percent gross profit percentage for a gain of $144 from an installment sale.

There is no installment sale gain reported on the 1982 or '83 tax returns.

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Q So the amount that you can see reported, that you can detail or relate back specifically to the schedule we showed you in the 1978 return is the $144 reported in the 1980 return?

A I know that was reported in 1980. I don't know what if anything was reported in 1980 on the return. I know there is a gain.

MR. JIAMPIETRO: Off the record.

(Discussion off the record.)

BY MR. JIAMPIETRO:

Q The Special Committee, Majority staff of the Special Committee have obtained a copy of the 1981 tax returns which we believe were made public by the Clintons during the Clinton Presidential campaign. We obtained this return from The Wall Street Journal, and they obtained the return from the Clintons when these returns were made public during the Clinton Presidential campaign.

I would like to show the witness a copy of the return.

MR. COLE: These are not documents, Mr. Norton, that were obtained by the Special

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Committee through its normal process of collecting documents, sending out subpoenas or document requests. I have no idea as to whether or not these are authentic documents, whether they are accurate other than Mr. Jiampietro's representations.

I have no knowledge as to the source of them. I have to rely on his representation that these are public documents that the Clintons have released. I just want you to know that as you review them.

BY MR. JIAMPIETRO:

Q Mr. Norton, would you please, for the record, review the return and state for the record whether or not it appears authentic to you. You can also compare the return with the pages that have been produced to the Committee, and let us know what you --

A I have already briefly compared the return with the four or five pages that you gave me from the 1981 return.

MR. COLE: Just so we are clear on the record, Mr. Jiampietro, these documents were obtained

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from The Wall Street Journal?

MR. JIAMPIETRO: As represented to the Committee, they were obtained by The Wall Street Journal from the Clinton Presidential campaign and were given to the staff members of the Special Committee.

MR. COLE: So the staff of the Special Committee is working with The Wall Street Journal to gather documents?

MR. JIAMPIETRO: I think that is an absolutely improper way to describe the situation. The staff of the Committee is in every way possible trying to get as complete a record as possible on this investigation. We noticed, in going through the documents delivered to the Committee and produced to the Committee, that only a partial copy of the 1981 tax return was produced to the Committee. In its endeavor to find a complete copy of this report, the Committee reached out to whatever source possible and found a copy of the tax return.

I would like to state for the record that Majority counsel called Minority counsel on the

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morning of the deposition --
MR. COLE: That would be today, when I had never heard of these documents, nor seen them before today.
MR. JIAMPIETRO: And notified Minority counsel that the Majority counsel had received this document and was willing to transmit it to Minority counsel. Minority counsel said that they would return the phone call and did return the phone call, and a conversation was held on this matter.
MR. COLE: Just for completeness, in that conversation, which was about 30 minutes before this deposition began, I indicated that since I knew nothing of the source of these documents, had never seen them before, that I wasn't in a position to vouch for them for the witness.
My question was only how The Wall Street Journal happened to be giving documents to the staff. I am curious because they haven't called me, obviously.
MR. JIAMPIETRO: Let's move on and get the witness to answer the question.

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BY MR. JIAMPIETRO:
Q Can you authenticate this document?
A I quickly reviewed this tax return. It appears to be complete.
Q Did you prepare the return?
A My signature is on it. I did prepare it.
Q Do you find any errors in the return? Does it look like it has been doctored?
A I didn't find any errors as I looked through it. It is 20 pages long or so.
Q Can you return to the schedule we have been reviewing.
A Schedule D.
Q Did you prepare this schedule?
A Well, that handwriting isn't mine. But it would have been prepared under my direction.
Q Could you please review the schedule and let us know whether or not any income from the installment sale we have been discussing is reported on the schedule.
A There is no income reported from the installment, from the 1978 installment sale.

Q To summarize, in reviewing the Clintons' personal tax returns for the years 1979 through 1983, only $144 of the $5549 in future taxable income that was deferred has been picked up; is that correct?
A That's correct.
MR. JIAMPIETRO: No further questions.
MR. COLE: May I ask a clarifying question about this subject matter?
For an installment sale of the type that is recorded on this schedule that you testified to in the last few minutes, income would be reported in subsequent tax years only if in fact payments were made by the purchaser; is that correct?
THE WITNESS: That's correct.
MR. COLE: Do you have any way of knowing from looking at these documents whether or not payments were made?
THE WITNESS: No, I don't.
MR. COLE: So you can only state what is recorded here and you can't state whether or not payments were made on this installment sale?
THE WITNESS: That's correct.



MR. COLE: Final question. Do you have any reason to believe that this particular transaction reported here had anything to do with the Whitewater investment?
THE WITNESS: I don't know what the transaction is other than what it states in the service as the sale of land.
MR. COLE: Is there anything in the documents that are here that would indicate it relates to the Whitewater investment?
THE WITNESS: No.
MR. JIAMPIETRO: I have one further question.
BY MR. JIAMPIETRO:
Q If in fact the Clintons did not receive payments on this installment sale, would you have made any adjustments on the returns to show that?
A No.
Q If they had received no income, wouldn't you have had to go back and lower the gain that was reported initially on the '78 return?
A I don't know.

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Q Let's move on. Let's turn to Bates stamp DKRT 80009, the '79 tax return.
A Mine doesn't have a date stamp on it.
Q It is underneath.
A Mine still doesn't have a date stamp on it.
Q It has a Bates stamp. It is on the right-hand side.
A Oh.
Q If you could look at line under "interest expense," line 8, 19. Did you prepare this schedule?
A That's not my handwriting, no.
Q Was this schedule prepared under your direction?
A Yes.
Q Could you read the first two lines on that line 19?
A I think that says "bank and loan companies, $11,749." The next one is "James McDougal, $238," I believe. That copy is a little hard to read.
Q Regarding that $11,749, what supporting documentation would you have reviewed for that entry?

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A Whatever the Clintons had, whatever the Clintons gave me, which as I have stated earlier was, my memory is it was a handwritten list by them.
Q What would that list have stated? Could you briefly describe it for us.
A It probably would have stated exactly what is on here, bank and loan companies.
Q You wouldn't have reviewed any supporting documentation, or it would not have been provided to you?
A No.
MR. COLE: Do you have a specific recollection with regard to this tax return and this entry that that's what occurred, Mr. Norton, or are you testifying as to your general practice over five or six years of preparing these returns and speculating that's what may have occurred in this instance?
THE WITNESS: I have no specific memory of this item. My answer was based on my general practice in dealing with Mr. and Mrs. Clinton.
BY MR. JIAMPIETRO:

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Q I would like to refer you to the Pillsbury, Madison report that I referred to earlier. I would like to read a brief statement from the report, page number 29, Senate WW report 0036.

"In 1979 the Clintons paid other expenses and made a capital contribution to the company. On December 7, 1979 the Clintons disbursed $2900 to Whitewater. Of this amount $2400 was an advance for an obligation on the part of the company to repay the Clintons and $500 was designated to be the Clintons' contribution to the company's paid-in capital."

The footnote to that sentence states, footnote number 123, "this advance was not used for the payment of interest as Whitewater made its first payment to a bank in May 1980."

Reading from the main text again, "the Clintons made other payments for the benefit of Whitewater totaling $9590.02 to the banks. These include one check for $4599.64 on November 5, 1979; and two checks totaling $4990.38 on December 29, 1979, one for $4752.88 and another for $237.50. These payments are summarized in the report prepared

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for the Clintons by James M. Lyons dated March 18, 1992."

I would like to refer you to several points on this. The amounts listed, the $2900 payment, including the $2400 advance and the $500 paid in capital added to the individual checks listed amount to the $11,749 listed on the '79 return.

(Witness examined the document.)

A Not according to my math.

Q Could you please -- let me use my calculator.

A The 2900 plus the 9590?

Q Plus the 237. The 2400 plus the 9590.02.

A Plus the 237?

Q I think the 237 is included in the 9590.02.

A This includes one check --

(Witness examined the document.)

According to this, you just add the -- the way I read the paragraph -- you add the 2900 and the 9590. That's $12,490.

MR. COLE: We have two CPAs and three

lawyers here and we can't figure this out. It is hard to figure out how someone might have made a mistake on this.

BY MR. JIAMPIETRO:

Q Footnote number 124 explains how these above transactions can be reconciled to the Clintons' 1979 personal tax returns. It states "in the aggregate, these amounts can be reconciled to the Clintons' 1979 personal tax returns by adding in the $2400 advance to Whitewater."

This footnote is in the sentence referencing the payments which add up to $9590.02.

A What footnote is that?

Q Footnote number 124, the last sentence.

A I got you.

Q Were you aware of these facts at the time you prepared this return?

A No.

Q If you had these facts, would you have treated this transaction differently? Let's go step by step. The $2400 advance to the Clintons -- advance from the Clintons to Whitewater, a loan to



Whitewater, according to the Pillsbury report, was included in the 1979 itemized deductions.

Based on this statement, if that was a loan from the Clintons to Whitewater, would that have been a proper deduction?

A No. Can I just make a statement?

Q Certainly.

A Somebody has gone through here and taken -- and we are laughing about it, but they have taken a series of numbers and added two numbers and subtracted two numbers and came up with a number that is within 3 to $4, depending on how you round, of another number on a tax return and saying they are the same.

If you want me to answer that, that that's the same amount and answer your questions based on that assumption, I will do it, but I'm bothered by it.

Q Let me just for the record state how the calculation was done by Pillsbury, Madison. They added a $2400 advance from the Clintons to Whitewater to several -- two checks which they found from the

Clintons. One was a $4990.38 check on December 29, 1979, which included two amounts -- they include -- correction -- they include a $2400 advance from the Clintons to Whitewater, they include two checks totaling $4990.38 on December 29, 1979, one for $4752.88 and one for $237.50. The report states that another check could not be found in the amount of $4599.64.

If you add all of the checks listed and the advance, and subtract an amount listed, the check for $237.50 which appears to equal an amount listed on the 1979 return just below the 7749 item, the amount listed is $235, which is very similar to the $237.50 reported in the report, you come up with $11,752.52 and the amount reported on the return is 11,749. So the two amounts are off by $3.52.

Moving on.

MR. COLE: Did you have a further statement you wanted to make?

THE WITNESS: If you want me to answer any of these questions about the proper deductibility of these amounts, I will have to assume -- to answer



those, I will have to assume that these amounts that you have added up do correspond to the deduction claimed on the tax return. I say that --

BY MR. JIAMPIETRO:

Q That's fine. I'm -- exactly, I understand that.

I would like to move on to the 1980 Clinton tax return. By the way, I only have very few items to go over that are left. Please refer to schedule A and B from the 1980 return Bates stamped LP 00678.

A I have it.

Q Under line 19, "interest expense," on the first line reads "James McDougal $9000." Was this schedule prepared under your direction?

A Interestingly enough, some of that is my handwriting and some of it is somebody else's. That's my handwriting, on the first three items on interest expense -- the first -- well, the first four items: GMAC, James McDougal, Yale University and WB&T.

Q To the best of your knowledge, this schedule is accurate and was prepared under your

direction?
A Right, yes.
Q I would like to show you a copy of a check in the amount of $9000. The document is Bates stamped DKRT 800533. It is a check by Bill Clinton or Hillary Rodham Clinton made on Union National Bank dated August 23, 1980. The payee is blank. It is for $9000 and signed Hillary Rodham.
Have you ever seen this check before?
A I have no memory of ever seeing it before.
Q I would like to briefly read you the statement from the Pillsbury, Madison report, page number 31, Bates stamped Senate WW report 0038.
"On August 23, 1980, the Clintons paid $9000 to an unknown payee."
Footnote 137 states "the payee line on the check was not completed but the endorsement on the check indicated it was deposited at Citizens Bank of Flippin. Through a reconstruction of the Citizens Bank mortgage history, it has been determined this payment was applied as principal to the outstanding balance of the Citizens Bank loan. The Clintons



deducted the $9000 payment as interest expense in their 1980 federal income tax return."
The footnote reads "their 1980 tax return reports this $9000 was paid to Jim McDougal. The Lyons report questions the appropriateness of the $9000 deduction taken by the Clintons."
Assuming the facts in the Pillsbury, Madison report are correct, was this amount properly deducted from the Clintons' 1980 income tax return?
A No.
Q I would like to move on. Staying with the 1980 return, I would like to refer you to pages 30 and 31 of the return -- pages 30 and 31 of the Pillsbury report, please. I'm sorry.
A Okay.
Q I'm going to read from the text of the report. "Earnest money loan: On June 23, 1980 Whitewater disbursed 21,346.29 to Union Bank in repayment of the $20,000 earnest money loan taken out by Jim McDougal and Attorney General Clinton on June 19, 1978. The loan was repaid one week after its scheduled June 16, 1980 due date. The company did

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not have any money to pay the loan. Instead Jim McDougal personally borrowed $20,000 on June 19, 1980 from the Bank of Cherry Valley and deposited these funds into a Whitewater account on June 20, 1980. One effect of this transaction was to reduce the Clintons' personal liability by $20,000. Where the Union Bank loan had been signed personally by both Attorney General Clinton and Jim McDougal, the Cherry Valley Bank loan was signed individually by Jim McDougal. This is something that would occur again: The replacement of recourse financing by nonrecourse financing for which one or more of the shareholders was not personally liable."

Did you ever discuss this transaction with Bill or Hillary Clinton?

A No.

Q If the Clintons were liable on a -- if Bill Clinton was personally liable on a $20,000 note -- if Bill Clinton personally borrowed $20,000 -- correction.

Were you aware of these facts at the time you prepared this return?

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A No.

Q Since Whitewater Development Corporation paid off a personal obligation of Bill Clinton, shouldn't $10,000 have been reported as income on the 1980 return?

MR. COLE: I object to the characterization of Whitewater Development Corporation paying off a personal obligation of Bill Clinton. Based solely on what is written in the Pillsbury report, it indicates Mr. McDougal borrowed funds from the Bank of Cherry Valley and deposited that in a Whitewater account and paid off the Union Bank loan. I don't think -- in my view that is not the same as Whitewater Development Corporation, regardless of who made out the check.

I think the facts speak for themselves, but when you summarize them, you are characterizing them in a certain way.

MR. JIAMPIETRO: I don't believe I have summarized anything. I think I read specifically from the Whitewater report.

MR. COLE: You did the first time.

MR. JIAMPIETRO: I can show you a check

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Bates stamped DKRT 901077, Whitewater Development Company Inc. check made on Union National Bank paid to the order of Union National Bank in the amount of $21,346.29. It refers to note 0004197; document Bates stamped DKRT 900155 is the promissory note signed personally by Bill Clinton and James McDougal dated December 17, 1979 in the amount of $20,000.

MR. COLE: I understand. I was just pointing out the fact that Mr. McDougal apparently borrowed and incurred a liability of his own from the Bank of Cherry Valley and then ran the funds through Whitewater.

BY MR. JIAMPIETRO:

Q I'm asking the witness, assuming these facts are correct, would the Clintons -- shouldn't the Clintons have reported $10,000 as income on their 1980 return?

A What I can't tell from this paragraph is whether the Clintons agreed to repay Jim McDougal and/or Whitewater Development Company for this money. If the Clintons had an obligation to repay that money, the money that was used to pay off their

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old liability, then no, there wouldn't be any income. If there was no liability by the Clintons to repay that loan, then I guess it would be income.

MR. COLE: And you don't know which is the case sitting here today?

THE WITNESS: I can't tell from this report which is the case, whether the Clintons had obligated themselves to repay this money to Jim McDougal or Whitewater.

MR. COLE: This is another instance, I take it, where it is the existence of the debt that would be determinative for tax purposes, and not whether or not there was a formal piece of paper or a note reflecting the debt?

THE WITNESS: That's right.

BY MR. JIAMPIETRO:

Q If there was no obligation by the Clintons to repay James McDougal for the $10,000, then this should have been reported as income on this return?

A I don't want to word your question for you, but to repay James McDougal or Whitewater.

Q Or Whitewater, exactly. Let me rephrase

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the question. If there was no obligation by the Clintons to repay James McDougal or Whitewater this $10,000, then this should have been reported as income on the 1980 return? Once again, just for the record, you have stated that you didn't have any knowledge of this transaction.

A No, I don't. I'm not -- on first blush, it would appear to me like that would be income to the Clintons. I feel real inadequate when I am given a very few pieces of facts and asked to make a judgment on those facts.

Q I understand that.

A There could be a lot of other pieces to this transaction that I'm not --

Q That's fine. We are missing a lot of pieces in this whole story. We are trying to piece it together as best as we can for the record.

MR. COLE: If I'm understanding your testimony correctly, Mr. Norton, if that repayment was treated as a loan or an obligation on the part of the Clintons and the McDougals to Whitewater, in other words if Whitewater was loaning the Clintons

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and McDougals money to pay off this Union Bank debt, it would not be income?

THE WITNESS: That's right.

MR. COLE: So it would really be determined by the understanding between the parties at the time as to whether or not there would be tax liability?

THE WITNESS: That's exactly right.

BY MR. JIAMPIETRO:

Q I would like to clarify for the record it may not have been income in this year if there was an understanding that there was a debt by the Clintons to Whitewater or Jim McDougal, but if that $10,000 was never repaid to either Jim McDougal or Whitewater Development Corporation at any future time, then that would have been income to the Clintons, given the facts that you have seen already?

A If there was a liability created by the Clintons to whoever and that liability wasn't enforced and the statute of limitations ran on it, the Service has historically taken a position it is income in the year the statute of limitations runs.

MR. COLE: But if that liability existed in

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1983 when the Clintons sold their interest in Whitewater to James McDougal for a thousand dollars, if that liability still existed in the corporation at that time there would be no tax liability, it would be part of the thousand dollar sale; correct?

MR. JIAMPIETRO: You noted there was a statute of limitations which could have run. Unless you are absolutely clear on what that statute of limitations was, I would be careful in answering the question.

MR. COLE: My question doesn't have anything to do with the statute of limitations.

MR. JIAMPIETRO: Absolutely it does. He said the enforceability of the note would have, after a certain period of time under IRS rules, have been deemed that it wasn't going to get repaid.

MR. COLE: If the parties renewed the note, if there is no written note and they renewed the understanding.

MR. JIAMPIETRO: An unwritten renewal of an unwritten note is an interesting way of doing business.

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MR. COLE: It is an understanding between the parties. That is the only thing I'm getting at here. This is all theoretical. I'm trying to take it to its logical conclusion.

MR. JIAMPIETRO: I would like to move on. I'm almost finished here.

BY MR. JIAMPIETRO:

Q I would like to move on to the 1982 Clinton tax return. I'm going to read a statement from the Pillsbury, Madison report -- this is my last reference to the report, so I thank you very much for following along with me -- pages 47 and 48 of the Pillsbury, Madison report stamped Senate WW report 0054 and 0055.

The report states "documents exist that suggest the Clintons borrowed money from Citizens Bank of Jonesboro, not to be confused with Citizens Bank of Flippin discussed above, but the documents do not indicate whether this loan had anything to do with Whitewater. There is evidence of two payments to Citizens Bank of Jonesboro. One was made personally by the Clintons. The other came from

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Whitewater funds. The Clinton payment drawn on Worthen Bank account on February 17, 1981 was for $243.82. The check signed by Mr. Clinton and made payable to Citizens Bank contained the notation interest on note number 585-270. The Whitewater disbursement on February 2, 1982 was for $5691.20. It also referenced loan number 585-270."

Were you aware of these transactions when you prepared the Clintons' 1982 tax return?

A No.

Q Once again, if Whitewater paid off a personal obligation of the Clintons and if this Citizens Bank of Jonesboro loan was not in fact related to Whitewater, shouldn't the $5691.20 have been reported as income on the 1982 return?

A The piece I'm missing here is whether there was any kind of obligation by the Clintons to repay Whitewater.

Q So once again, similar to the last line of reasoning, if there was no obligation of the Clintons to repay Whitewater and if the Clintons never did repay Whitewater this amount of money, then this

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amount of money should, either on this return or at some future date, have been reported as income by the Clintons?

A It would -- in this case, there is another piece that is missing, and that's you don't know what the Clintons did with this money that they borrowed from Citizens Bank of Jonesboro, whether that was used -- it says here that the documents don't indicate whether this loan had anything to do with Whitewater, but it doesn't say where the loan proceeds went.

If the loan proceeds went in some way for a Whitewater obligation, and then Whitewater is simply repaying an obligation they had with the Clintons, it would simply be a repayment by Whitewater to the Clintons. I'm missing that part of the transaction.

Q But once again, if the funds were not transferred to Whitewater and if there was no note issued -- no benefitting Whitewater from the Clintons, then this should have been reported as income if it were paid by Whitewater on behalf of the Clintons?

A I understand your question and I will answer it this way: If we know that -- if we don't know what happened to the proceeds from the loan, whether it went for a Whitewater obligation, and if we don't know whether the Whitewater was simply paying this loan to pay off some sort of obligation it had to the Clintons, whether it had to do with this loan or any other obligation, and if we don't know whether Whitewater obligated themselves to pay the Clintons at some time in the future, you have to look at whether it is income.

Q I have one final question and then just a quick follow-up, because there was something you mentioned that I let go earlier.

My last question is a substantive question on the Clintons' tax returns. The Clintons and McDougals transferred 220 acres of land to Whitewater Development Corporation in 1979. It has been suggested that notes were issued by Whitewater Development Corporation to the Clintons and McDougals upon transfer.

My question to you is were you ever



informed of such notes being issued by Whitewater Development Corporation to the Clintons?

A No.

Q If in fact such notes were issued to the Clintons, as principal and interest on those notes were paid down by Whitewater Development Corporation, shouldn't interest income have been reported on the Clintons' personal tax returns?

A Yes.

Q My final follow-up is that you mentioned earlier that you had had a telephone conversation with Yoly Redden.

A Right.

Q Could you please describe the circumstances of that telephone conversation.

A She called me to tell me that David Kendall would be calling me.

Q That was the extent of the conversation?

A That was the extent of the conversation, to tell me that he would have questions about something dealing with their tax return.

Q Was that the only contact you had with Yoly

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Redden?
A Yes.
MR. JIAMPIETRO: Thank you. I'm finished.
MR. COLE: Off the record.
(Recess.)
EXAMINATION
BY MR. COLE:
Q Mr. Norton, I would like to go back and ask a few additional questions about the meeting that you testified to with Mr. Clinton and Mr. McDougal and another individual. Do you remember when that meeting took place?
A No.
Q Was Mr. Clinton governor when the meeting took place?
A I can't put it in a time frame. I just don't remember.
Q Do you recall whether it was at a time when you were engaged to prepare the Clintons' tax returns?
A Fairly -- I would have to say yes. The first time I ever met the Clintons it was to be

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engaged.
Q You think this occurred sometime after then?
A It would have been after then, yes.
Q Who asked you to attend the meeting?
A Bill Clinton.
Q What did he say, as best you can recall, when he asked you to attend? What was your purpose in being there?
A My purpose was to -- I don't know that I can answer that. I just remembered him calling me on the phone and asking me if I was available for a meeting at a certain time, and I said I was.
Q And were you attending that meeting in your capacity as his tax preparer?
A That's the only relationship I had with him, so yes; I would have to say yes.
Q You didn't have any relationship with any of the other parties at the meeting with Mr. Clinton?
A No.
Q Did you understand that Mr. Clinton wanted you there so that you could hear what was being

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discussed and advise him about how it might affect the preparation of his tax returns?
A That's my understanding.
Q Did Mr. Clinton say anything at the meeting to indicate that he was proposing any course of action himself personally with regard to the Whitewater property?
A No.
Q If I understand you correctly, Mr. McDougal presented some information and proposed a method of proceeding and Governor Clinton listened while Mr. McDougal spoke?
MR. JIAMPIETRO: I would like to interrupt. You haven't testified before that Jim McDougal gave any description of a method for proceeding. So I just want to make sure that you answer each point that he states here one at a time.
THE WITNESS: I thought I had answered that.
MR. KUMPE: He did say that Jim McDougal proposed a method of proceeding.
BY MR. COLE:

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Q As I understood you, you said Mr. McDougal proposed using subchapter S or S corporation during the meeting.
A Mr. McDougal described the transaction. Whether he specifically said a subchapter S would be used or the other accountant who attended said that I can't answer, but one of those two mentioned that.
Q The distinction I'm getting to in my question is this was something Mr. McDougal and perhaps the other accountant was proposing, not something Mr. Clinton was proposing.
A It was not something Mr. Clinton or myself were proposing. It was something Mr. McDougal and his accountant were proposing.
Q You and Mr. Clinton were listening while Mr. McDougal and his accountant made a proposal?
A That's exactly right.
Q Did you understand Mr. Clinton would be looking to you for advice as to what was being proposed by Mr. McDougal and the other accountant?
A That's my understanding.
Q Did Mr. Clinton say anything that would

indicate that he had consulted with Mr. McDougal or played a part in developing the proposal that Mr. McDougal was putting forth?

A He gave me no indication of that.

MR. JIAMPIETRO: You stated previously that Bill Clinton didn't say anything at the meeting; is that correct? Or did he tell you specifically that he had never had any contacts with James McDougal previously?

THE WITNESS: When I say he didn't say anything at the meeting, obviously he talked at the meeting, but he didn't say anything specifically about the transaction at the meeting.

MR. JIAMPIETRO: Did he say anything specifically about not having discussed these transactions with Jim McDougal previously?

THE WITNESS: He said nothing to me about that.

BY MR. COLE:

Q Was the focus of the meeting tax planning for the Whitewater investment, or was the purpose of the meeting broader than that?



A It was broader than that.

Q What else was discussed other than the tax issues relating to the Whitewater investment?

A Actually, Jim McDougal described in general what the investment was all about, that it was an investment in a piece of land they were going to develop, and then walked through the big picture of how it was going to be structured, including the tax implications.

Q Did you have a sense as to whether Mr. Clinton was hearing that for the first time as he sat there with you, or did it appear to be something he was already familiar with?

A I have no judgment on that one way or the other.

Q And did Mr. McDougal indicate that -- just a moment. Let me rephrase the question.

I believe you testified that you had a reaction to what Mr. McDougal was proposing in terms of using subchapter S filing?

A I did have a reaction.

Q And did you state that reaction at the

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meeting?
A I did.
Q And what was the response of Mr. McDougal and the other accountant when you stated your reaction?
A My reaction specifically was that you can't use guaranteed debt to support basis in an S corporation. They disagreed with me.
Q Was the matter resolved at that meeting?
A No.
Q Did Mr. Clinton express a view one way or another in those discussions?
A Yes.
Q What was his view?
A He pulled me off to the side out of the meeting and said Jim McDougal is my partner and I have to trust him on matters dealing with this investment, and we have to -- I want to rely on him to structure it properly and leave it alone. He told me to back off, leave it alone.
Q He indicated he was going to rely on Mr. McDougal and take Mr. McDougal's advice on how to

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structure the transaction?
A Yes, he did.
Q Did you have any further discussions with Governor Clinton at any subsequent time about that matter?
A No.
Q So that was the only discussion you had?
A Yes, it was.
Q Is that the only discussion that you can recall that you ever had with either of the Clintons concerning the tax treatment of Whitewater -- I want to be as clear as I can here. I'm not talking about in a given year whether or not a specific deduction related to Whitewater, but in terms of the tax treatment of the investment in general.
MR. JIAMPIETRO: Tax strategy?
BY MR. COLE:
Q I think that may be a bit pejorative. I prefer to use the term "tax treatment of the transaction," if that is a distinction that makes sense to you.
A Yes, it does.

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Q Is that the only discussion you had with either of the Clintons?
A Yes.
MR. COLE: I don't have anything further.
EXAMINATION
BY MR. JIAMPIETRO:
Q A couple questions that were raised in my mind as you recalled your meeting with -- the meeting that you described previously. You stated, I believe, that Jim McDougal described in general terms what the deal was about. Did he state how the parties planned to make money on the transaction?
A Yes.
Q Could you please describe that.
A Develop the land and sell parcels of land off, parcels or lots.
Q Was there any discussion of whether or not they would hold the land until all sales were completed and all moneys gained, received, or -- what was the time frame over which they planned to make the investment? Was that discussed?
A No.

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Q Was there any discussion of who owned the land?
A No.
Q Any discussion of responsibilities of the various parties?
A Yes.
Q Could you please describe that.
A I think I did in answer to his question. The only discussion about responsibilities was when Bill Clinton pulled me out of the room and stated that Jim McDougal was his partner and that it was Jim McDougal's deal and that he would leave it up to Jim McDougal to structure.
EXAMINATION
BY MR. COLE:
Q I'm going to ask you a basic question in layman's terms. If using non-tax professional terms creates a problem for you, let me know.
Based on the discussion that took place with Mr. McDougal and the other accountant that you just testified to, was it your understanding that Whitewater was a tax shelter or, rather, was

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Whitewater an investment on which the principals expected to make money, in layman's terms?
A An investment where they expected to make money.
Q Based on the description that Mr. McDougal gave at that meeting, the purpose of the Whitewater investment or the Whitewater deal was not as what laymen would refer to as a tax shelter or tax dodge?
A That's true.
Q Your understanding was that the parties expected, based on what Mr. McDougal said, to eventually make money on the investment?
A That's right.
EXAMINATION
BY MR. JIAMPIETRO:
Q Once again, for the purposes of clarity on the record, was there any discussion of use of the Whitewater investment to offset any income realized for other purposes by any of the parties?
A Yes, there was.
MR. JIAMPIETRO: Okay.
EXAMINATION

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BY MR. COLE:
Q I won't say final question because we don't know what will be the final question, but I do have another question.
Is it unusual in a real estate investment like the Whitewater investment as described to you by Mr. McDougal to structure the corporation that holds the land as a subchapter S corporation?
A It is not unusual.
Q So the issue that arose at the meeting was a technical issue having to do with the tax basis of the property and the fact that it was entirely financed through bank loans; is that correct?
A Tax basis of the stockholders in the corporation.
Q The stockholders in the corporation?
A That was the point, that was the technical issue.
Q And I know you explained this once, but for my edification, if you could explain it again, why that issue arose in this context, in the context of this particular transaction.

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A It arose because I asked the question if there were going to be any start-up losses in the corporation that the S corporation stockholders intended to use on their personal return.

When they said yes, there were some front end start-up losses that would be deducted, I asked about that, the tax basis of the shareholders in the corporation, what they were going to use as a tax basis.

Q What did you understand were the start-up losses to be expected?

A The interest, the interest used to carry the raw land by the corporation and interest on the development costs.

Q Would the start-up costs or losses that you were discussing include additional investment in the enterprise, like building roads, land surveying, those kind of improvements to the property?

A A lot of those would be part of the capitalized cost to the land. They would be deducted as the property sold. There's some that would be ordinary deductions too.

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Q And the interest on the bank debt would be among those?

A In those years, yes. It would be -- I didn't let you finish your question.

Q I think I didn't let you finish, so you can go first.

A The interest on the land would be deducted as interest expense back in those tax years.

Q In this case, the interest on the land would be the interest on the personal notes that the Clintons and the McDougals had signed to purchase the property; is that correct?

A I don't know how to answer that. I don't know how to answer that question. What I was referring to was, if the investment was owned by the corporation that elected S corporation status, the corporation would incur expenses and that would be part of the income loss, or allocated to the individual shareholders. If there was a net loss allocated to the shareholders, that's when you get the basis issue.

Even though there is a loss allocated to

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the shareholder, that is not a deduction to the shareholder unless he has a tax deduction on his personal return for that year, unless he has sufficient tax basis.

Q I guess where I'm not following you is that, in this case, the land was purchased with loans from two banks, one in Flippin, Arkansas and one in Little Rock, Arkansas. I think you have seen documentation today relating to that. Those loans were taken out by the individuals personally, not by the corporation.

There would have been interest due on those loans. And I'm trying to understand whether that is part of the start-up cost that you described earlier, the interest on those personal loans.

A I was unaware of that part of the transaction. I don't remember any discussion at that meeting that the individuals personally owned the land and were incurring interest on it. If they were incurring interest on it personally and paid that interest personally, then it would be a deduction personally.

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Q I'm sure Mr. Jiampietro will correct me if I'm wrong. What I read the documents to indicate happened here is that the individuals bought the land using money that they borrowed personally from two bank loans, and then at a subsequent later time, they placed the land or contributed the land to the corporation. But the debt on the initial purchase stayed in the name of the individuals and they remained personally liable; the corporation did not assume that debt.

So, if I can finish my question, would that affect your analysis --

MR. JIAMPIETRO: I would like to correct one of the premises of the question, and the assumption that the debt remained with the individuals when the land was transferred, that is a point that has raised a lot of questions in the minds of the Majority counsel to the Special Committee. It is something we are looking at in an ongoing way, the question of whether or not the mortgage was assumed by the corporation, and whether or not notes were issued back to the individuals. I think that is

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still a point that is being debated.
BY MR. COLE:
Q Leaving aside for the moment what the reality was, if I could just ask the question, a theoretical matter, assuming that the debt stayed with the individuals, to use lay terms again, would that affect your analysis as to whether there would have been tax liability?
A Tax liability or --
Q I'm sorry. I misspoke. As to the appropriateness of the tax treatment that Mr. McDougal was proposing.
A We are getting so far reaching on these assumptions that I have trouble answering the question.
Q I agree. Actually, I don't want to assume at all.
MR. JIAMPIETRO: One question -- I think the record shows that there is evidence on the record that the sub S election was never formally taken by the corporation or may have been revoked by the IRS because of passive income problems or problems with

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passive income.
The one question I would have, before you get any further on this discussion, these concerns you had regarding interest as part of the start-up costs, did you express these specific concerns in the meeting, or was it a more general concern and you personally were thinking about this and this wasn't discussed at the meeting?
A That's really a fair characterization of the meeting. I didn't ask about, well, what expenses would be incurred. My question was simply are you expecting to have start-up costs in the S corporation that the shareholders are hoping to take on their personal return. I wasn't asking what accounting issues were in the corporation or what would comprise the start-up costs.
Q Have you ever reviewed any of the notes that were issued to the Clintons and McDougals personally to purchase the land?
A No.
Q You don't have any knowledge of those notes?

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I think to ask him questions about something he has never reviewed or didn't have any involvement in is running pretty far afield.

MR. COLE: I know you have little interest in what actually happened here. The reality is these were personal notes. If you want to take the time, we can show him each note and each note extension.

If that's what you are insisting on, we will do that.

MR. JIAMPIETRO: I thought I should make it clear for the record, the witness never reviewed those, didn't participate in those notes. You are asking him questions concerning those, and I'm wondering about --

MR. COLE: I'm asking questions about the facts as they exist on the record and the fact is these are notes that were made out to the Clintons and McDougals personally. There are no notes made out to Whitewater Development Corporation.

MR. JIAMPIETRO: There are notes payable that were issued by Whitewater Development Corporation to the Clintons and McDougals

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personally.

MR. COLE: I believe there is an accounting interest that references that, but I haven't seen any notes.

MR. JIAMPIETRO: There is evidence of notes payable being issued. A lot of the accounting treatment in the Whitewater ledgers relates to those.

MR. COLE: My question's much more basic than that. He was discussing start-up costs and I was trying to understand what those were.

MR. JIAMPIETRO: I have no problem with that line of question. When we try to get him into speculating whether or not the notes were transferred into the corporation, we are going afield of his expertise.

MR. COLE: This is what actually occurred. I will show him a document that is numbered DKRT 900025 which is a little difficult to read, but it is an August 2, 1978 mortgage note to James and Susan McDougal, and Bill and Hillary Clinton. It is a personal loan to them.

And I will show you document number -- this document is not numbered, but it is a December 17, 1979 promissory note for $20,000 signed by Bill Clinton and James B. McDougal personally, Union National Bank.

BY MR. COLE:

Q The reason I'm showing you those documents, Mr. Norton, is that it is my understanding that these two loans -- and this may actually be an extension, that is the Union Bank extension -- the loans from Citizens Bank in Flippin Arkansas and Union Bank in Little Rock, Arkansas to the Clintons and McDougals personally were the loans that were used to purchase the Whitewater property.

I am still -- I continue to be confused as to what the start-up costs were going to be if those start-up costs aren't the interest on the notes to purchase the property.

A I didn't discuss what made up the start-up costs with them. I really can't answer whether it is this interest or not.

Q You just asked whether there would be



start-up costs incurred?

A Start-up losses incurred.

Q And Mr. McDougal indicated that there would be. Okay. Thank you.

MR. JIAMPIETRO: I think we will get Mr. Norton and Mr. Kumpe out so they can get on their plane and get back to Little Rock.

(Whereupon, at 4:08 p.m., the deposition was concluded.)

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GAINES B. NORTON, JR.

CERTIFICATE OF NOTARY PUBLIC & REPORTER 

I, BRENDA M. SMONSKEY, the officer before whom the foregoing deposition was taken, do hereby certify that the witness whose testimony appears in the foregoing deposition was duly sworn; that the testimony of said witness was taken in shorthand and thereafter reduced to typewriting by me or under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this deposition was taken; and, further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Brenda Smonskey

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May 13, 1996

VIA FACSIMILE TRANSMISSION
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Joe Jiampietro, Esq.
Senate Committee on Banking
Housing, and Urban Affairs
534 Dirksen Building
Washington, DC 20510

RE: Gaines Norton

Dear Joe:

My client, Gaines Norton, has reviewed the transcript. He has noted some errors:

Page 11, line 5 - "S.U." should be "H.G."
Page 72, line 7 - "a" should be "they"
Page 82, line 7 - "service" should be "return".

Mr. Norton has only had the opportunity to review the transcript once. This errata listing may not be comprehensive. If there are other errors noted, I will advise.

Cordially,

WILLIAMS & ANDERSON

Peter G. Kumpe

PGK/llj

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